Resource Guide for Affordable Housing on the Islands of Hawaii

RCAC

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HUD

Case Studies in the counties of Hawaii, Honolulu, Kauai, and Maui

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Introduction

Geography

Located more than 2,000 miles from the nearest continent, Hawaii is the most remote island chain in the world. The distance creates a kind of splendid isolation, with these Polynesian islands removed from all but one another. Hawaii consists of eight major islands and 124 minor islands with reefs and shoals strung across the Pacific for over 1,500 miles. The eight major islands, providing more than 99% of the total land area, are Oahu, Maui, Hawaii, Kauai, Molokai, Lanai, Kahoolawe (uninhabited) and Niihau (privately owned).

With Hawaii's offerings of a diverse culture, subtropical weather, vibrant ecosystems and the "aloha spirit" of the people, the Hawaiian archipelago has long been considered among the world's most desirable places to live. But for many of today's residents, living in paradise has become a daily struggle. The extreme disparity between low-wage positions and high-cost housing, coupled with decades of inadequate affordable housing development has resulted in the lowest rate of home ownership in the nation, a severe need for low-income rental housing and the fastest growing homeless population in the county.

To address the enormous need for affordable housing, local nonprofit agencies, private developers and federal, state and county governments are working together to successfully identify and address Hawaii's housing issues. With support from these important partnerships, housing agencies have successfully obtained and leveraged funding from numerous federal and state housing programs. These resources have been essential to the development of affordable housing projects throughout the state.

However, despite the growing demand for these resources, funding has been reduced while competition for funds has increased significantly. As a result, nonprofit developers have taken on the complex challenge of layering multiple funding sources for any given project. While securing financing for a project can be tremendously challenging, the careful balancing of regulations, time frames, budgeting and the administration often proves even more difficult. From financing to project completion, nonprofit housing developers consistently attribute successes to strong partnerships, past experiences, extensive housing development knowledge and a passionate dedication to build housing for those most in need.

The intent of this publication is to provide the nonprofit development industry with information concerning Hawaii's current housing demands, needs and available resources while also providing examples of how Hawaii-based organizations have used various resources to create affordable housing projects in their areas. With inflated land and construction costs making low-income housing projects unprofitable for commercial developers, many communities are looking to nonprofits to fill this critical need.

The experience of these organizations, their strong partnerships and their ability to leverage resources and programs has enabled them to efficiently and effectively produce responsive, affordable housing. However, with the enormous number of new units needed, nonprofit organizations, housing agencies, government and the private sector will need to work together to implement bold and effective measures, that ensure the people of Hawaii have access to safe, decent, and affordable housing.

Executive Summary

Affordable housing crisis

Hawaii faces serious challenges regarding affordable housing, home ownership, homelessness and low-wage employment. Approximately one-third of Hawaii's 400,000 households are cost burdened,[A] paying more than 30% of household income on housing costs. With the cost of living ranging from 30%[B] above the national average to well over 60%,[C] depending on family size, Hawaii's affordable housing and homeless problems have reached crisis proportions.

Statewide, it is projected that between 2005 and 2009, an estimated 44,190 new housing units will be needed to satisfy existing and anticipated demand.[D] Households with less than 80% of median income will require 21,890 of these projected new units. Production will likely not meet demand, with the deficit having greater impact on households below the median income, most significantly on low-income renters.

Housing market effects on home ownership

Recent high-volume home sales and rapidly escalating home prices clearly demonstrate the demand for housing in Hawaii. Housing costs grew by 51% between 2001 and 2003. By 2005, residential housing prices had reached an all-time high with a 100% increase from 1999. The escalation in Hawaii's housing market can be attributed to several factors including lower mortgage interest rates; inability of housing construction to keep pace with the short-term demand; economic growth on the mainland; and other major-market housing costs approaching parity with Hawaii's, fueling a rise in single-family home and condominium sales to non-residents for second homes.

For the first time in Hawaii's history, the housing crisis has extended to moderate-income families. Due to inflated housing prices, moderate-income households — earning up to 140% of median income — cannot afford to purchase a home. The high cost of land, lack of infrastructure and high construction costs present a barrier to development of moderate- and low-income housing in the state. In 2005, the Hawaii State Legislature passed Act 196, recognizing moderate-income families as a group for whom affordable housing may be designated.

Rental unit reduction

Since 2000, changes in the rental market have been dramatic with a severe drop in overall number of available units. The loss of rental housing can be attributed to a rise in tourism and resale of units. More tourists require more rental housing, yet many rental unit owners have opted to take advantage of the high home prices and sell their properties. The same factors that caused high activity in the home ownership market have contributed to the resale of single-family and multi-family rental projects. Sold units are either owner-occupied, or if they remain rentals, have higher rents that reflect strong market demand.

Throughout the state, the diminishing supply of rentals and the rise in housing costs have driven rents to unaffordable levels. In 2005, the National Low Income Housing Coalition's (NLIHC) annual report ranked Hawaii as the most expensive state for renters in the country. In 2006, Hawaii maintained its number one position.[E]

[A] Cost burden is the fraction of a household's total gross income spent on housing costs. For renters, housing costs include rent paid by the tenant plus utilities. For owners, housing costs include mortgage payment, taxes, insurance, and utilities.

[B] "Invest Surplus in poverty solutions." Honolulu Advertiser, Curtis, February 2006

[C] Economic Research Institute, Cost of Living Analyses for Honolulu, Hawaii vs. U.S. Average Level, January 2006

[D] "New demand" is based on the formation of new households and increased population

[E] National Low Income Housing Coalition, 2006 Out of Reach, 2007

Despite the fact that 40% of households in Hawaii rent, the decrease in rental units and rise in costs has not increased production. In the last decade, the state only experienced a 6.7% growth in the number of rental units. Since 1990, only limited rental development has occurred, mostly of subsidized elderly housing.[F]

Outcome

The lack of affordable housing in Hawaii is a significant problem that affects all segments of the population. Moreover, local residents may see a further decline in the long-term affordability and availability of housing units due to the large number of second-home sales. With a minimal amount of affordable housing available to the poorest renters in Hawaii, an increase in homelessness may be inevitable.

While home ownership rates in Hawaii remain the worst in the nation[G] — thus seriously compromising the physical and financial security of renters — many advocates and state and county officials now recognize the critical nature of the situation. With one-quarter of the state's population currently considered either hidden-homeless or at-risk, a rise in homelessness may be inevitable unless strong and immediate measures are taken. Many state, county and community organizations have identified the rental housing crisis as the underlying cause of Hawaii's homeless problem. To resolve homelessness, decision makers must first address the affordable rental problem. To facilitate this process, the following document highlights successful affordable rental development projects in Hawaii

[F]Housing and Community Development Corporation of Hawaii, State of Hawaii Consolidated Plan 2005-2010, 2005

[G]Corporation for Enterprise Development, 2007 Development Report Card for the States, 2006

Economy

The extent of the housing crisis in Hawaii can be measured not only by the number of people affected, but who is affected. For the first time in Hawaii's history, moderate-income families, earning up to 140% median income, cannot afford housing. Moderate-income individuals include: firefighters, social workers, teachers, salespersons, maintenance workers, accountants, electricians and other employed individuals.

In 2006, the National Low Income Housing Coalition reported that Hawaii renters had to earn about $48,940 annually to afford a modest two-bedroom apartment — more than anywhere else in the nation.[1] For the second year in a row, Hawaii has been ranked as the most expensive state for renters. To afford an average fair market rent of $1,224 a month, residents need to earn $23.34 per hour; however, the state's minimum wage is only $7.25 per hour.[2] The rapid rise in rents, that continue to outpace wages, illustrates the depth of the housing crisis on the islands and its impact on a broad range of income earners.

Providing assistance to this "gap group" presents challenges, as these households earn too much to qualify for low-income housing programs, but make too little to afford market housing. While most of Hawaii's employment opportunities are low-wage positions, even a dual-income household earning about $94,000 annually for a family of four (140% median income) is unable to qualify for home ownership in the state.

In the past, moderate-income families were not recognized as needing government intervention to purchase homes. But with the strong rise in housing prices in 2005, the issue became a serious problem, and the state legislature enacted Act 196, recognizing moderate-income families as a designated group qualifying for affordable housing.

The inclusion of the moderate family population puts additional stress on the affordable housing market and increases the state's homeless problem. The inability of moderate-income households to afford housing further demonstrates the serious challenges faced by lower-income families. With housing out of reach for households earning 140% median income, the reality of households earning 80% or under 50% median income appears significantly distant.

Addressing the problem

Existing state programs under Chapter 201G, Hawaii Revised Statutes, such as housing loan and mortgage programs, taxable mortgage securities programs, state mortgage guarantee programs, and down-payment loan programs, offer some assistance to home buyers. However, most state programs are not designed to create developer incentives to build affordable homes necessary to meet the demands of this income group. Instead, private developers are generally required by counties to donate land, build, or pay for a percentage of affordable housing units with fair-share mandatory set-asides.

Since counties are in the best position to control private development through zoning density, subdivision, building standards, and other requirements, affordable housing to meet the needs of moderate-income families is mostly initiated at this level. Currently, counties and development agencies use various methods to require developers to set aside a certain percentage of homes for moderate-income families; however, this uneven approach has been challenging for some counties, including Maui, which has recently met with legal concerns. A uniform, inclusionary zoning law may be better able to withstand constitutional challenges. As the needs of moderate-income families cannot be met exclusively through exactions on private developers in exchange for zoning exemptions and density bonuses, other developer incentives are needed to encourage the building of homes and meet the needs of this group.

While the state has made some progress in addressing the affordable housing crisis, including adding more money into the Rental Housing Trust Fund, and providing funding for housing and loan programs targeted to this "gap group," state lawmakers may also consider providing incentives to landlords to maintain affordable rentals, making public land available for affordable housing, and streamlining the permit-approval process for developers.

With a lack of affordable housing and more than 44,000 units needed in the next two years, housing advocates and state and county officials agree that increasing the state's inventory of affordable housing is the key to lowering fair-market rents. The building of more affordable housing for low- and moderate-income renters will relieve rents for middle-class households in the extremely tight housing market. In addition, the construction of new units is a more cost effective long-range approach than providing shelter, food and transitional services to homeless families.

[1]National Low Income Housing Coalition, Out of Reach 2006

[2]Hourly wage that a household must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair market Rent for a two-bedroom unit at 30% of income

Affordable Rental Housing

Affordable rental crisis

The Joint Legislative Housing and Homeless Task Force has estimated that by 2009, the State of Hawaii will need 44,190 new housing units (32,580 on Oahu). Of those units, 21,890 (15,590 on Oahu) will be needed by households earning less than 80% of the median income. The majority of these needed affordable units (17,000) will be affordable rentals.

Since 1999, the number of available rental units in Hawaii has dropped to historically low levels while rents have appreciated steadily.[3] Unfortunately, the shortage of rentals in Hawaii has not spurred increased home production. Since 1990, only limited rental development has occurred, most of which has been for subsidized housing for the elderly. Very-high land and construction costs and limited resources make even relatively high-end multifamily rental projects unprofitable for developers. The trend of declining available rentals and increasing rents is widespread, growing steadily on Oahu, Maui, Hawaii, and Kauai since 2002.[4]

The number of renters and the types of housing in Hawaii clearly shows the extent and need of affordable rentals in the state. Forty percent of households (175,429) in Hawaii rent.[5] Hawaii has one of the closest proportions of single-family housing structures to multifamily structures in the nation. Of the state's housing units, 53.5% are single family homes, 40.2% are located in buildings with two or more apartments and 0.2% are mobile homes.[6]

The task force set out an ambitious five-year plan to produce a minimum of 10,000 affordable rentals. However, only about 200 to 250 affordable rental units have are being developed or preserved in Hawaii each year. In addition, affordable rental projects often take years to complete. The state's Rental Housing Trust Fund finances between three and five projects a year (50 to 60 units each). Following financing approval, these projects generally take between two and three years to complete.

High rents, low wages

The National Low Income Housing Coalition's (NLIHC) most recent annual report, *Out of Reach 2006*, ranked Hawaii as the most expensive state in the nation for renters based on their wages. This marked the second year in a row Hawaii ranked at the top of the list. In Hawaii, the monthly Fair Market Rent (FMR) for a two-bedroom apartment is $1,224. To afford this level of rent plus utilities, without paying more than 30% of income on housing, a household must earn $4,078 monthly, or $48,940 annually. That translates (assuming a 40-hour work week, 52 weeks per year) to an " affordable housing wage" of $23.53 per hour.

However, Hawaii's minimum wage is only $7.25 per hour, with the average renter's wage estimated at $11.36 an hour. Therefore, a minimum-wage earner must work 130 hours per week, 52 weeks per year and an average-wage worker must work 81 hours per week with no vacation or sick leave to make the two-bedroom FMR affordable. As a result, almost half of Hawaii's renters are cost-burdened and the state has the highest percentage of overcrowding in the nation. More specifically, approximately 35.4% of low-income renters — at or below 80% median income — are cost-burdened; while very-low income renters — 30% to 50% of Average Median Income (AMI) — were the most impacted, with an astounding 79.1% of households cost-burdened and 23.0% severely cost-burdened, paying 50% or more of household income on rent.[7]

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[3]Oahu rental database collected from the Honolulu Advertiser, Hawaii Housing Policy Study, 2003

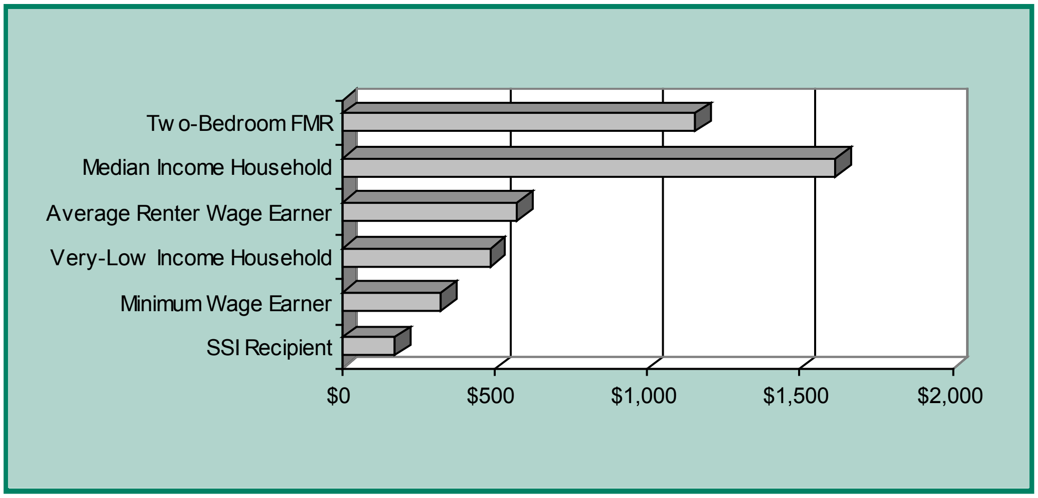
[4]Rental database collected from Maui News, West Hawaii today, the Hawaii Tribune Herald, and The Garden Island, Hawaii Housing Policy Study, 2003

[5]U.S. Census Bureau, American Community Survey, 2005

[6]Ibid

[7]U.S. Census Bureau, CHAS Data Book, 2000

Monthly Rent Affordable Based on Two-Bedroom FMR



Affordability Gap

	Monthly Income Level	Gap Between Affordable Rent and FMR
Average Renter Wage Earner	$591	$633
Very-Low Income Household	$510	$713
Minimum Wage Earner	$351	$873
SSI Recipient	$181	$1,043

Source: National Low Income Housing Coalition, Out of Reach 2006

Percentage of Renter Households

Location	Number of Households (2000)		
	Total Households	Renter Households	Total% of Renter Households
Hawaii	403,240	175,457	40%*
Hawaii County	52,985	18,819	36%
Honolulu County	286,450	130,217	45%
Kalawao County	115	115	100%
Kauai County	20,185	7,817	39%
Maui County	43,507	18,489	42%

HUD FY 2007 Fair Market Rents (FMR)[8] by Number of Bedrooms

Location	Studio	1-BR	2-BR	3-BR	4-BR
Hawaii	$864	$1,019	$1,224	$1,754	$2,030
Hawaii County	$649	$779	$874	$1,232	$1,350
Honolulu County	$888	$1,058	$1,279	$1,865	$2,196
Kalawao County	$700	$808	$949	$1,200	$1,423
Kauai County	$764	$861	$1,134	$1,423	$1,549
Maui County	$953	$1,056	$1,228	$1,643	$1,760

Source: U.S. Department of Housing and Urban Development

Annual Income Needed to Afford FMR

Location	Studio	1-BR	2-BR	3-BR	4-BR
Hawaii	$34,543	$40,757	$48,940	$70,143	$81,198
Hawaii County	$25,960	$31,160	$34,960	$49,280	$54,000
Honolulu County	$35,520	$42,320	$51,160	$74,600	$87,840
Kalawao County	$28,000	$32,320	$37,960	$48,000	$54,640
Kauai County	$30,560	$34,440	$45,360	$56,920	$61,960
Maui County	$38,120	$42,240	$49,120	$65,720	$70,400

Source: National Low Income Housing Coalition, Out of Reach 2006

Household Income (2006)				
Location	Estimated Renter Median Household Income*	Monthly Rent affordable at Renter Median	Income Needed to Afford 2-BR FMR as% of Renter Median**	Estimated% of Renters Unable to Afford 2-BR FMR
Hawaii	$40,331	$1,008	121%	59%
Hawaii County	$31,694	$792	110%	54%
Honolulu County	$41,478	$1,037	123%	60%
Kalawao County	$11,107	$278	342%	95%
Kauai County	$36,957	$924	123%	60%
Maui County	$42,655	$1,066	115%	56%

Source: National Low Income Housing Coalition, 2005

**Census 2000 median renter household income, adjusted to a 2006 value using HUD's income adjustment factor.*

***Estimated by comparing the% of renter median household income required to afford the two-bedroom FMR to the percent distribution of renter household income as a percentage of the median within the state, as measured using 2005 American Community Survey Public Use Microdata Sample.*

[8] HUD, 2006; final as of October 1

HUD affordable rents

HUD's established affordable rents for each Island (Based on the 2006 HUD median income) are listed below. Affordable rents are based on 30% of income including utilities. Monthly rent levels include the cost of the following utilities: water, sanitary sewage service, electricity and gas (where applicable).

HONOLULU

FY 2006 MFI: $71,300					
	Studio	1-BR	2-BR	3-BR	4-BR
30% MFI	$375	$401	$481	$556	$620
50% MFI	$623	$668	$802	$926	$1,033
60% MFI	$748	$801	$963	$1,112	$1,240
80% MFI	$998	$1,070	$1,283	$1,483	$1,655
100% MFI	$1,247	$1,336	$1,604	$1,853	$2,067
120% MFI	$1,497	$1,604	$1,925	$2,224	$2,481
140% MFI	$1,746	$1,871	$2,246	$2,595	$2,894

HAWAII

FY 2006 MFI: $55,300					
	Studio	1-BR	2-BR	3-BR	4-BR
30% MFI	$313	$336	$403	$466	$520
50% MFI	$523	$561	$673	$778	$868
60% MFI	$628	$673	$808	$935	$1,042
80% MFI	$838	$898	$1,077	$1,245	$1,388
100% MFI	$967	$1,036	$1,244	$1,437	$1,603
120% MFI	$1,161	$1,244	$1,493	$1,725	$1,924
140% MFI	$1,354	$1,451	$1,742	$2,012	$2,245

MAUI

FY 2006 MFI: $65,700					
	Studio	1-BR	2-BR	3-BR	4-BR
30% MFI	$363	$389	$467	$539	$601
50% MFI	$605	$648	$778	$899	$1,003
60% MFI	$726	$778	$934	$1,079	$1,204
80% MFI	$968	$1,038	$1,245	$1,439	$1,605
100% MFI	$1,149	$1,231	$1,478	$1,708	$1,905
120% MFI	$1,379	$1,478	$1,774	$2,049	$2,286
140% MFI	$1,609	$1,724	$2,069	$2,391	$2,667

KAUAI

FY 2006 MFI: $60,900					
	Studio	1-BR	2-BR	3-BR	4-BR
30% MFI	$340	$363	$436	$504	$562
50% MFI	$565	$605	$726	$840	$936
60% MFI	$678	$726	$871	$1,008	$1,123
80% MFI	$905	$969	$1,163	$1,344	$1,498
100% MFI	$1,065	$1,141	$1,370	$1,583	$1,766
120% MFI	$1,279	$1,370	$1,644	$1,900	$2,119
140% MFI	$1,492	$1,598	$1,918	$2,216	$2,472

Source: U.S. Department of Housing and Urban Development, 2006

Rise in rents

The U.S. Census Bureau also has ranked Hawaii as having the highest monthly median gross rental housing rate in the nation at $995. Gross rent includes the contract rent plus the estimated average monthly cost of utilities.[9]

The sharp rise in rental costs can be attributed to several factors:

- ◆ A significant increase in home values has driven up the imputed rental value of homes.
- ◆ In the last year, housing-related fuel and utilities increased to over 13% nationwide. (While this increase has been responsible for higher rents throughout the country, Hawaii has hit hardest as the state has the highest energy costs in the country.[10]
- ◆ Sharply increased real estate market activity has prompted owners of many single-family and multifamily rental properties to sell, often resulting in higher rents for tenants. (Hawaii has no rent control.)
- ◆ A diminishing supply of rentals throughout the state has significantly tightened the market, thereby raising demand and producing higher rents. The loss of rental units are due in part to:
    - ♦ Loss of single-family rental units as high prices prompt owners to sell.
    - ♦ An increase in tourism leading to more units rented to visitors, less available for residents.
    - ♦ A significant increase in condo conversions.

Condo conversion boom

According to the Hawaii Real Estate Commission, approximately 5,000 rental apartments have been sold as condos over the past three years, compared with 5,600 during the preceding nine years. An extremely high demand for low-priced condos has likely caused the recent conversion wave. In a market where high construction costs prohibit building new condos at competitive prices, developers are targeting older, low-income rentals.

The strong demand for affordable condos is largely the result of the median price for pre-owned condos doubling from $152,000 in 2002 to $310,000 in 2006. Rising condo prices have put pressure on rents and have contributed to Hawaii's rapidly escalating homeless crisis, which is the fourth-worst in the country.[11]

Although conversions have allowed some low-income renters to become homeowners, soaring real estate values have put home ownership out of reach for many with low incomes. Most renters in buildings targeted for sale as condos cannot afford a mortgage payment, which is often nearly double the amount they pay for rent. Nor do most renters have $25,000 to $35,000 in savings to cover down payment and closing costs. Most do not qualify for conventional loans.

While some developers argue that condo conversions have little impact on the rental market — as buyers do include some former renters — it is clear from most tenants' inability to buy their converted units, that affordable rentals are disappearing from the market and severely impacting low-income renters, leaving many with few, if any, housing options.

All Housing Units Converted to Condominium Units

	2001	2002	2003	2004	2005
Projects	44	58	92	116	135
Units	454	591	740	1,422	2,347

[9] U.S. Census Bureau, American Community Survey 2005

[10] Corporation for Enterprise Development, 2007 Development Report Card for the States, 2006

[11] National Alliance to End Homelessness, Homelessness Counts, 2007

Rental forecast

According to the Hawaii Housing Policy Study 2003, the number of households in Hawaii should grow by about 32,500 between 2003 and 2010. Housing construction is not expected to come close to matching demand, with a deficit of 15,830 units by 2010. Total housing production is expected to be dominated by ownership units, although very high rents may prompt some owners rent their properties. Demand for rental units is expected to soar.

With total demand distributed across the HUD income categories, the deficit will impact households below the median income, which accounted for approximately 50% of un-met demand in 2003. With approximately 40% of Hawaii's households falling below the median income level, the deficit will affect a significant portion of the population, impacting the state's economy and resources.

The impact of the housing crisis on very-low income renters will be especially to drastic. Rental housing units for households below 50% of median income are generally produced by government or nonprofit housing agencies with the assistance of subsidized housing programs. Very slow growth in the number of these units will force very-low income households into the private market, most units are unaffordable to this group. To avoid vastly increasing the homeless population in Hawaii, it is critical that affordable housing keep up with rising demand.

Forecasting Renter Demand and Affordability Gap

Year	Median Income (MI)	New Housing Demand	Monthly Rent					
			<30% MI		30%-50% MI		50%-80% MI	
			Count	Max Rent	Count	Max Rent	Count	Max Rent
2003	$48,344	5,483	250	$360	770	$360-$600	1020	$600-$970
2004	$49,214	6,925	320	$370	970	$370-$620	1290	$620-$980
2005	$50,100	10,507	480	$380	1470	$380-$630	1960	$630-$1,000
2006	$51,052	9,722	450	$380	1360	$380-$640	1820	$640-$1,020
2007	$52,022	8,144	370	$390	1140	$390-$650	1520	$650-$1,040
2008	$53,010	8,579	390	$400	1200	$400-$660	1600	$660-$1,060
2009	$54,017	7,217	330	$410	1010	$410-$680	1350	$680-$1,080
2010	$55,044	6,330	290	$410	880	$410-$690	1180	$690-$1,100
2011	$56,034	5,762	260	$420	810	$420-$700	1080	$700-$1,120
2012	$57,043	5,674	260	$430	790	$430-$710	1060	$710-$1,140
2013	$58,070	5,732	260	$440	800	$440-$730	1070	$730-$1,160
2014	$59,115	5,870	270	$440	820	$440-$740	1100	$740-$1,180
2015	$60,179	6,090	280	$450	850	$450-$750	1140	$750-$1,200
2016	$61,262	6,088	280	$460	850	$460-$770	1140	$770-$1,230
2017	$62,365	6,114	280	$470	850	$470-$780	1140	$780-$1,250
2018	$63,488	6,230	290	$480	870	$480-$790	1160	$790-$1,270
2019	$64,630	6,355	290	$480	890	$480-$810	1190	$810-$1,290
2020	$65,794	6,522	300	$490	910	$490-$820	1220	$820-$1,320
2021	$66,912	6,285	290	$500	880	$500-$840	1170	$840-$1,340
2022	$68,050	6,294	290	$510	880	$510-$850	1180	$850-$1,360
2023	$69,207	6,401	290	$520	890	$520-$870	1200	$870-$1,380
2024	$70,383	6,417	290	$530	900	$530-$880	1200	$880-$1,410
Totals		**142,325**	**6,520**		**19,890**		**26,590**	

Estimated forecast based on current and projected housing, economy, and income data

Rent or own

Affordable rental projects are crucial to addressing the housing and homeless crises in Hawaii. While home ownership is desirable, extremely-high housing costs keep most very-low and low-income families out of the home-buying market. Even subsidized housing is now unaffordable to many low- and very-low income families. Because rental units can provide long-term affordable shelter for these residents, many officials are moving their focus from delivering affordable owner-occupied housing to providing affordable rentals.

Rentals are also a more effective way to provide affordable housing for a longer period of time to a larger number of people using less funding. Because county buy-back requirements are difficult to enforce, some affordable homes are only temporarily affordable, whereas rental projects can stay comparatively affordable for long periods of time.

Hawaii has a renter-population of 40%, soaring housing costs and rapidly increasing homelessness. It is clear to many housing agencies and advocates that development of affordable, long-term rentals is the most effective approach to addressing this multi-level housing crisis. Following are three case studies of affordable rental housing in Hawaii.

Hale Makana O Waiale

Maui Economic Concerns for the Community, Inc.
Maui County, Hawaii

Hale Makana O Waiale Affordable Rentals

80-195 Waimaluhia Road

Wailuku, Hawaii

Hale Makana O Waiale provides housing to 200 very-low income families in the County of Maui. In 1997, Maui Economic Concerns for the Community, Inc. (MECC) developed Hale Makana O Waiale and has retained management. The project addresses the difficulty of transiting households from a homeless shelter or "graduates" from the welfare system into the highly inflated commercial rental market.

Organization

The mission of MECC is to provide services to homeless and hungry people on Maui. MECC offers programs and housing designed to assist homeless persons and low-income residents to move from a state of dependency and homelessness to self-sufficiency and independence.

Need

State and county regulations allow only two years to transition off government payments. However, with record high housing costs, low wages and a rental shortage, those moving from the welfare system often cannot compete in the inflated rental market. Affordable rentals provide a necessary step between transitional housing and renting. These units are critical to successfully helping the homeless and very-low income transition to long-term independence.

Recognizing that more than 4,000 household on Maui earn less than 50% of median income, and the unprofitable fact that commercial developers will not produce affordable housing, the need for nonprofit organizations to develop these units has become critical to resolving Maui's affordable housing crisis.

To address the need, MECC developed Hale Makana O Waiale, a 200-unit affordable rental project near Ka Hale A Ke Ola Homeless Resource Center (KHAO), MECC's exist-

PROJECT TYPE

200-unit, multi-family rental complex

RESIDENT PROFILE

Very-low income, at or below 50% area median income

RENT STRUCTURE

Studio	(420 s.f.)	$425
2-BR __	(753 s.f.)	$525
3-BR __	(1,059 s.f.)	$575
4-BR __	(1,180 s.f.)	$625

VACANCY RATE

1.2%

KEY FEATURES

Total 12-acres, 3-acre park, 24-hour security

KEY SERVICES

Self-sufficiency program, computer skills, educational community outreach program

PROJECT COST

Total project:	$16,700,000
Per unit:	$83,500

CONTACT INFORMATION

Maui Economic Concerns for the Community, Inc.

John Kreag

Executive Director

670 Waiale Road

Wailaku, Hawaii 96793

Tel: 808-242-7600 x222

Fax: 808-244-0821

ing emergency and transitional housing facility in Wailuku. The location was ideal to assist the individuals and families moving from KHAO into affordable housing.

In addition, a significant number of risk factors have been identified in Wailuku, and with limited resources available, homelessness continues to rise. The need for affordable housing on Maui is clear, as Hale Makana O Wai'ale is currently at capacity with a growing waiting list of more than 20 families.

Project

After a year spent working through the county's approval and permit process, construction of Hale Makana O Waiale began in January 1996. It was ready for occupancy in October 1997.

Hale Makana O Waiale spans 12 acres and includes a three-acre park, 24-studio units (420 sq. ft.), 128 two-bedroom units (753 sq. ft.), 32 three-bedroom units (1,059 sq. ft.), and 16 four-bedroom units (1,180 sq. ft.). The affordable rental project provides housing to 200 very-low income households (approximately 700 individuals), who are at or below 50% of median income.

Prior to meeting the state's two-year residency requirement, transitional housing occupants from KHAO move into the affordable units of Hale Makana O Waiale. There is no set limit to residents' length of stay at Hale Makana O Waiale, provided that household income does not exceed 50% of the median income, but residents are encouraged to move on if incomes increase.

An annual income-certification process tracks household income levels, and as incomes increase, residents attend a self-sufficiency program, assisting them in the process of finding other housing options, including entering the commercial rental market and home ownership.

Education and mentoring is provided to the families of Hale Makana O Waiale through the Big Brothers/Big Sisters (BBBS) Mentoring Center, located nearby. BBBS offers the island's first Extension On-Line (EOL) educational community site. The EOL program curricula includes: family assistance to build and strengthen parenting skills; developing home, school, and community partnerships; and developing cultural competencies to enable individuals to contribute positively in a diverse and changing society.

In addition, children are taught internet research skills, word processing, creating multimedia presentations and basic computer skills.

Finance

Hale Makana O Waiale was funded by five major sources: HUD HOME ($3.75 million), County of Maui Grant ($2.08 million), County of Maui Go Bonds ($4.25 million), Low Income Housing Tax Credits ($3.65 million), and a loan from the State of Hawaii Rental Housing Trust Fund ($3 million). The total cost to develop the project was $16.7 million.

Challenges

MECC incorporated both HOME Program funds and Low Income Housing Tax Credits (LIHTC) for the construction of Hale Makana O Waiale. While the project retains low-debt service, the long-term administration of these funds has required repetitive inspections.

Required annual inspections from both funding sources have proven expensive and time consuming. Each inspection takes about a week on-site to perform, and staff needs several weeks prior to prepare. Time and effort is doubled, as each inspection takes place on separate dates; although the same annual inspection is performed for the same state agency to satisfy both funding sources. While the necessity of these inspections is understood, the administration and resources absorbed by repetitive inspections, producing the same results, has been an ongoing frustration for MECC.

The use of tax credits for the project was a new experience for MECC, that brought about new challenges.

Required bank consortium negotiations proved to be difficult and resulted in lengthy documentation (literally requiring over a foot of paperwork). Although the initial experience was at times daunting, MECC recognizes that newfound expertise will make future uses of LIHTC much easier.

Success

The success of Hale Makana O Waiale is largely due to MECC's ground lease terms. Maui County provided terms of $1 per year for 55 years, which allowed the project to obtain funding and remain affordable.

The financial approach MECC employs for their developments is based on two principals: (1) obtaining and maintaining low- or zero-debt service (see case study for Na Hale O Wainee Resource Center for further details); and (2) non-participation in subsidy programs.

MECC creates projects that are not dependent on temporary or tentative funds. As subsidy grant programs expire within five to ten years, MECC does not view subsidies as a reliable financial source. Subsidies and similar programs can create and maintain a project's dependency, constantly putting the agency in a position to request additional funding post-construction. As a result, the dependent project's affordability is consistently jeopardized with the reliance on successfully obtaining subsidies and obtaining them at the same level.

PROJECT FINANCING

Total Cost of Project	$16,700,000

Sources of Funds

HUD HOME	$3,750,000
County of Maui Grant	$2,080,000
County of Maui Go Bonds	$4,250,000
LIHTC*	$3,650,000
RHTF** Loan	$3,000,000

*Low Income Housing Tax Credit

**State Rental Housing Trust Fund

The absence of subsidies for Hale Makana O Waiale has been tremendously successful, and its ongoing success is demonstrated by MECC's remarkable ability to maintain not only the affordability of the units, but, remarkably, to retain the same rental rates since Hale Makana O Waiale was established in 1997.

While other affordable housing projects struggle with rising operational costs and low-income rents that are insufficient to meet those rising costs, Hale Makana O Waiale is able to retain its original affordability, while still producing a positive cash flow. The project's fixed-rate rent has provided a cash flow consistency that MECC can rely on, instead of depending on increases in the HUD affordable rent guidelines, which has not kept up with the state's inflated housing costs. For many other agencies, a lack of operational funds has and will continue to threaten the affordability of their units. As a result, these agencies are at times forced to convert portions of low-income units to market-rate units.

Experience has provided MECC with a lasting foundation on which to develop projects and programs. The five individuals who comprise MECC's senior management team have a combined service of 60 years with the organization. MECC retains its employees for an average of five years. This longevity of service and low turnover rate reflects the dedication and passion of MECC's employees and has been key to the organization's success.

MECC officials clearly recognize that their employees' passion and belief in the services and assistance they provide has allowed them to successfully persevere and overcome obstacles and frustrations that constantly beset homeless and affordable housing projects.

Outcomes

MECC officials stress the importance and responsibility that comes with developing homeless or affordable housing projects. By retaining control of all of their developments, MECC has ensured affordable housing security for the residents; established long-term affordability of their units; and maintained a high level of standards consistently applied throughout their programs and services.

MECC officials believe that after an agency builds or refurbishes a project, it is essential that the agency continues to own and operate it. The project should not be turned over to a management program, as management companies are seeking to gain a profit, not ensuring and maintaining affordability or making the project livable. In addition, MECC officials believe that government control of affordable housing projects should also be avoided.

MECC workers also advise other affordable housing developers to be fully aware of what they are entering into when embarking on a project. Not only must the agency successfully build, operate and maintain control of the project, but they must be experienced with budgets, operating costs, staff expenses and financing, while remaining fully capable of ensuring and maintaining the project's independent sustainability.

Each year, Hale Makana O Waiale and the KHAO Homeless Resource Center provides housing to more than 1,200 families.

Special thanks to Charles Ridings (former executive director of Maui Economic Concerns for the Community, Inc.) for providing invaluable information and insight on the project development of Hale Makana O Waiale.

CASE STUDY

Kalepa Village Phase 2

Kauai Housing Development Corporation Kauai County, Hawaii

Kalepa Village, Phase II

4535 Kalepa Circle

Hanamaulu, Kauai

Kalepa Village, Phase II provides affordable rental housing to 40 very-low income households, earning less than 50% of median income. Developed by Kauai Housing Development Corporation, Kalepa Village, Phase II was completed in 2004 and complements the 60 low-income units of Phase I.

Organization

Incorporated in 1992 as a private non-profit corporation, the mission of Kauai Housing Development Corporation (KHDC) is to provide affordable housing for low- and moderate-income families. KHDC primarily serves the Island of Kauai, but also serves other counties in the State of Hawaii, including Oahu, Molokai and the Big Island.

Need

In 2004, when Kalepa Village, Phase II was completed, there was an extraordinary need for affordable rentals. Nearly 200 families participated in a lottery for the 40 units; the remaining families remain on a long waiting list. Kalepa Village, Phase II was 100% pre-leased.

Development of Kalepa Village is being constructed in four phases and will have a total of 180 affordable rental units. Phases III and IV were only to be developed if demand could sustain the project. With an extremely tight housing market, a shortage of rental units, and rising rents and property values, the strong demand demonstrated for Phase II has ensured the development of the remaining phases.

PROJECT TYPE

40-unit, one-, two- and three-bedroom multifamily rental complex

RESIDENT PROFILE

Very-low income, at or below 50% area median income

KEY FEATURES

Multi-purpose communal building, solar hot water heating with electric backup, clothes washer and gas dryer, and an outside storage area

KEY SERVICES

On-site day care facility

PROJECT COST

Total project:	$6,700,000
Per unit:	$167,500

CONTACT INFORMATION

Kauai Housing Development Corporation
John Frazier
Executive Director
2955 Aukele Street
Lihue, Hawaii 96766
Tel: (808) 245-5937
Fax: (808) 245-5954
Email: khdc@aloha.net

Kalepa Village
Hawaii Affordable Properties, Inc.
Lee Yasutake
Resident Manager
Tel: (808) 246-4481

Project

Along Kuhio Highway, near the post office and Kaumuali'i School in Hanamaulu, noticeable changes have appeared over the last decade. Much needed affordable rental housing, including Kalepa Village, has been constructed as the result of a $41 million federal grant awarded to Kauai to repair or replace housing devastated by Hurricane 'Iniki in 1992. 'Iniki, the most powerful hurricane to strike the Hawaiian Islands in recorded history, remains one of the costliest hurricanes ever in the eastern Pacific ($8.1 billion).

Kalepa Village, Phase II provides affordable rental housing to 40 very-low income households, earning less than 50% of median income. The units range from one- to three-bedrooms and feature solar hot water heating with electric backup, clothes washer and gas dryer and an outside storage area. Each ground floor apartment is ADA (Americans with Disabilities Act) compliant and has a lanai.

Designed for households with children, Kalepa Village has interior grass courtyards, a children's play lot and a community center with a 2,500 square foot common room that can be divided into three separate areas with folding partitions. The center is designed to be used as a day care facility, to be run by a separate organization, with a children's play area. The community center also includes a kitchen for use by residents, wheelchair-accessible restrooms, and two offices with full electrical and telephone wiring.

PROJECT FINANCING

Total Cost of Project	$6,700,000
Sources of Funds	
Construction and Permanent	
County of Kauai HOME	$1,620,000
Permanent	
HCRC*	$1,200,000
LIHTC**	$3,800,000

*Hawaii Community Reinvestment Corporation

**Low Income Housing Tax Credit

Kalepa Village is the first large project on Kauai to use light-gauge steel framing. Steel is slightly more expensive than conventional wood framing, but it has the advantage of being termite resistant. The building's siding material is Hardipanel, a fiber-reinforced cementatious panel that will not rot and is immune to water damage, salt spray and termite damage. Roofing is made of factory painted corrugated manufactured roof panels.

The four phases of Kalepa Village will total 180-units of affordable rental housing. Phase I, completed in 1997, was built by Koga Engineering and Construction and included the entire site work, utilities, and road work on the 12 acres of the project. KHDC completed Phase II in 2004, adding 40 new units to the initial first phase. Phase III is currently underway.

Finance

The majority of the funding for Kalepa Village, Phase II was provided by Low Income Housing Tax Credits (LIHTC) with leveraging from HOME program funds and private resources. The land for Kalepa Village is owned by the County of Kauai and was subdivided into the proposed four residential phases. The county is providing KHDC with a 55-year lease on the property at $1 per year.

KHDC worked closely with the county, who administers and monitors HUD HOME funds. KHDC has a 50-page recipient agreement with the county, which governs the use of the funds. However, KHDC has completed many projects through the county with these funds, so they are very familiar with and accustomed to the lengthy agreements. The county proved to be very helpful and resourceful throughout the development process.

In July 2002, the state awarded Kalepa Village Partners, the development partnership created by KHDC to construct the project, with Low Income Housing Tax Credits (LIHTC). Hawaii Investors for Affordable Housing contributed the tax credit equity and became the limited tax credit partner. Funds were leveraged by the county HOME program for both construction and permanent financing. Additionally, a permanent long-term loan of $1.2 million was provided by Hawaii Community Reinvestment Corporation.

KHDC knew the very-low income rents produced from the project would not provide sufficient cash flow to pay a large mortgage, so they made sure about 80% of financing was equity, with LIHTC providing this source. The HOME funds given to KHDC by the County of Kauai in the form of either a grant or deferred payment loan were also equity contributions that allowed the project to be successfully financed. The only debt KHDC acquired was a $1.2 million loan.

Challenges

The most challenging aspects in funding Kalepa Village, Phase II, as with other developments, was the high level of competition for the same affordable housing funds. KHDC put together a comprehensive application package making sure all items were answered with no omissions.

Since each application is scored on its own merits, KHDC looked to maximize their application score and structured the project to increase points. In addition, KHDC kept close attention to how the scoring criteria changed each year. Unlike some nonprofits, KHDC does not apply every year for tax credits (applied in 2002 and 2006 to fund both Phase II and Phase III). KHDC offficals say their high application scores are due to the fact their projects' site work is often complete with development ready to begin.

Recently, an escalation in operating costs has presented financial challenges. Although HUD publishes the maximum affordable rents each year, operating costs over the last four or five years have been increasing, while the HUD maximum rents have not kept pace.

Since Kalepa Village, Phase II has little, if any, cash flow, KHDC is considering readjusting their target rents from 50 to 60% of median income, provided that the change is allowed under regulations and agreements with funders. KHDC recognizes the difficult challenge of estimating future costs and expenses that developers and owners of affordable rentals must assume.

The use of tax credits to fund a project can create long-term challenges for organizations operating the property. KHDC is extremely careful with management of Kalepa Village, Phase II. Currently, the project is managed by Hawaii Affordable Properties, Inc. As terms for tax credit units are more complex for tenant eligibility, the experience of Hawaii Affordable Properties ensures the project's compliance with the program, thereby avoiding penalties from the Internal Revenue Service.

Success

KHDC credits their limited partner and investor, Hawaii Investors for Affordable Housing, as the key element in successfully developing Kalepa Village, Phase II; the entity brought in 80% of the funds.

KHDC attributes everything they have effectively accomplished to their many years of experience. With 25 years of experience as a developer and 13 years at KHDC, John Frazier, the organization's executive director has observed that the process of land development is the same and that nonprofit organizations really need to have an experienced real estate developer on board to fully understand the process, and its challenges; overcome obstacles; and ensure that operations run as smoothly and effectively as possible.

Outcomes

Forty very-low income households have access to affordable housing because of Kalepa Village.

While landlords and real estate brokers may not find affordable rental projects favorable when there is a surplus of rentals, KHDC has recognized that in the last six years, due to the critical shortage of affordable housing, projects such as Kalepa Village are not only welcome, but in high demand.

Phase III and Phase IV of Kalepa Village were to be built only as demand dictated. However, the lack of affordable rentals has not only set the next phase in motion, but the projects are expected to carry waiting lists as extensive as the first two phases.

Special thanks to John Frazier, executive director of Kauai Housing Development Corporation, for providing invaluable information and insight on the project development of Kalepa Village, Phase II.

Palehua Terrace 2

Pacific Housing Assistance Corporation
Oahu County, Hawaii

Palehua Terrace 2

92-1074 Palahia Street

Makakilo, Hawaii 96707

Palehua Terrace 2, a 64-unit rental complex in Makakilo, Hawaii, provides affordable housing for very-low and low-income families earning 30% to 60% of the Honolulu area median income. Developed and operated by Pacific Housing Assistance Corporation, Palehua Terrace 2 was built in 2005 as the second and final phase of the Palehua Terrace development that includes a total of 148 affordable rental units.

Organization

Over its 25 year history, Pacific Housing Assistance Corporation (Pacific Housing) has developed or assisted other nonprofit organizations develop more than 1,350 housing units statewide valued at more than $156 million.

Pacific Housing was created in 1980 as a statewide, private, nonprofit organization with a goal to provide housing for low-, moderate-, and gap-income groups. In addition to housing development, the organization has provided housing rehabilitation and renovation, technical services, and consulting.

Need

With the median sales price of a home at nearly half a million dollars, the rental price for a two-bedroom apartment at $1,224 per month and the average worker earning $1,818 a month, it is extremely difficult for

PROJECT TYPE

64-unit multifamily affordable rentals

RESIDENT PROFILE

Very-low and low-income, 30 to 60% area median income

RENT STRUCTURE

2-BR __	(30% AMI)	$359
2-BR __	(60% AMI)	$700
3-BR __	(60% AMI)	$800

(7-units 30% AMI; 57-units 60% AMI)

KEY FEATURES

Community room, private park, picnic area, resident and guest parking, furnished apartments

PROJECT COST

Total project:	$11,600,000
Per unit:	$181,250

CONTACT INFORMATION

Pacific Housing Development Corporation
Marvin Awaya, Executive Director
677 Ala Moana Boulevard, Suite 712
Honolulu, Hawaii 96813-5419
Tel: 808-523-5681
Fax: 808-559-1821
Email: m-awaya@hawaii.rr.com

Palehua Terrace 2
Sunny Ulep, Manager
92-1075 Palahia Street
Kapolei, HI 96707
Tel: 808-672-5602

Applications
Management Specialist Company
ATTN: Affordable Housing Department
1585 Kapiolani Blvd, Ste. 1530
Honolulu, HI 96814
Tel: 808-949-7611 x135

working households to provide shelter for their families and almost impossible for them to establish wealth or long-term economic sustainability.

With an influx of non-residents purchasing second homes, rents skyrocketing and rental properties unaffordable to low-income families, Palehua Terrace 2 addresses an escalating need for decent, affordable housing for low-income Oahu households.

While 72% of Hawaii's population lives on Oahu, fewer than 3,000 new housing units have been developed there over the past five years. This compares to 18,000 housing units built just in Makiki during the 1970s.

Oahu's affordable housing crisis was exemplified by the 300 qualified applications received for 64 available Palehua Terrace 2 units. Tenants were selected via lottery. Those not chosen remain on a long waiting list.

Project

Palehua Terrace 2, officially opened in Makakilo on March 16, 2005. The project represents a successful example of what can be achieved through public-private partnerships such as the one between Housing and Community Development Corporation of Hawaii and Pacific Housing Assistance Corporation.

Palehua Terrace 2 is located on the slopes of Makakilo, above the Ewa Plains above the town of Kapolei. The site

was terraced to minimize construction grading and to take advantage of the view. Attractive amenities, include a community room, private park, picnic area, resident and guest parking, close proximity to schools, shopping and a thriving business community, make Palehua Terrace 2 an ideal affordable option for families in west Oahu.

Palehua Terrace 2 was developed on 4.38 acres and offers 64 two-bedroom and three-bedroom rentals for low-income families. Each unit has two bathrooms and is equipped with a range, disposal, washer and dryer, and refrigerator.

Qualified families must have incomes ranging from 30% to 60% of the area median income (AMI). Seven of the two-bedrooms are available to very-low income households (30% AMI) while the remaining units are for households earning up to 60% AMI. Credit checks are performed through Equifax, and Section 8 is accepted.

In 2000, the first phase of Palehua Terrace was developed by Finance Realty, a subsidiary of Finance Enterprise. The first phase provided 84 two- and three-bedroom units to low-income families. In 2001, Finance Enterprise left the real estate development business and focused on mortgage lending, then later considered conversion from a depository financial services loan company into a commercial bank.

As a result, Finance Enterprise began bulk selling some of its land holdings. The largest holdings were part of the master-planned community of Makakilo, which Finance Realty Ltd. started developing under an agreement with The Estate of James Campbell more than 35 years ago.

PPROJECT FINANCING

Total Cost of Project	**$11,600,000**
Sources of Funds	
City & County HOME	**$1,360,000**
RARF*	**$3,400,000**
RHTF**	**$3,500,000**
LIHTC† (federal)	**$645,200**
LIHTC† (state)	**$202,500**
B of H†† and EMI†††	**$2,492,300**

***State Rental Assistance Revolving Fund**

****State Rental Housing Trust Fund**

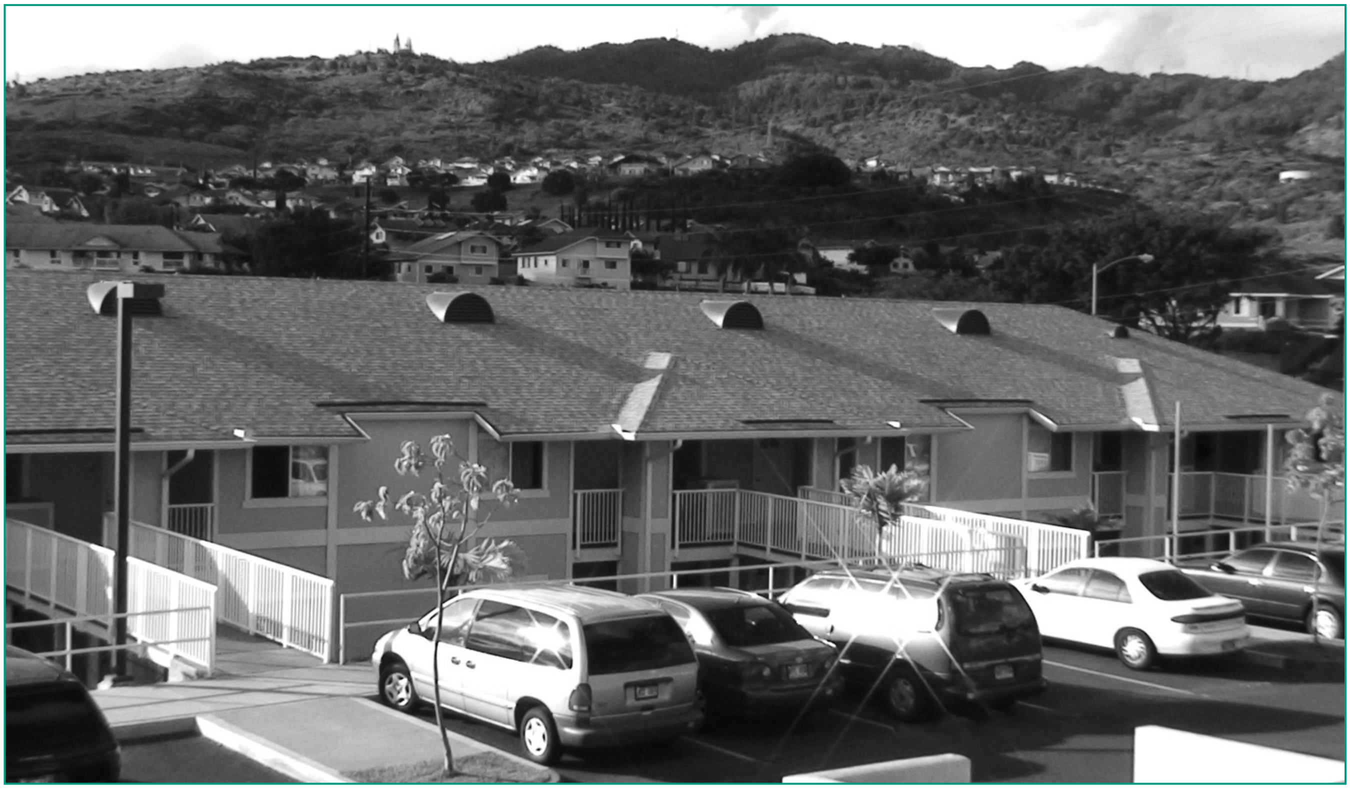
† Low Income Housing Tax Credit

†† Bank of Hawaii

††† Enterprise Mortgage Investments, Inc.

Pacific Housing took advantage of the land sale from Finance Enterprise and purchased Palehua Terrace and the property to develop the second phase. Finance Enterprise had to fulfill an affordable housing requirement to sell the properties and receive full value.

While obtaining adequate funds from various sources can be challenging by itself, the following stage of actually using and blending the funds presents even more challenges. Although the programs by themselves did not appear too complicated, ensuring compliance with the various regulations of each funding source and the many steps of the approval processes that were not initially evident became issues that resulted in consumption of much time and many resources. In addition, timing of the several funders was completely different, presenting other doumentation and planning challenges.



The completed Palehua Terrace development consists of 13 two-story apartment buildings, a multi-purpose building and a total of 146 very-low and low-income rental units on 10.75 acres.

Finance

Palehua Terrace 2 is the result of a public-private partnership with the city, state, federal and private companies contributing to construction and development financing. The total project cost $11.6 million, and Pacific Housing must keep the units at affordable rental rates for 61 years in exchange for state assistance.

Challenges

In hindsight, Pacific Housing officials say they should have budgeted more money for Palehua Terrace 2. Although it can be difficult to accurately estimate costs, it is even more difficult to request additional funds after the granting process is completed, as this requires writing new applications and going through the scoring process again.

Coordinating timing and compliance regulations with several different funding sources was the most challenging obstacle in developing Palehua Terrace 2. As each funding source and each project was different, there was no step-by-step process and understanding of how the many programs could be blended together, or how to coordinate the different financing sources.

This knowledge and experience with various funding sources was important to Pacific Housing's success. Pacific Housing recognizes that conflicts of interest often arise when working with private and public funding sources, and knowing exactly what to expect before applying proved to be very helpful. While the government does not have the flexibility the private sector does, the public sector often doesn't have the necessary experience in real estate.

As the private sector has provided stability, Pacific Housing has found that the government is not always comfortable with industry standards and does not always understand what a particular development merits. While funders understand the value of land and building, they don't necessarily know how to build homes. Pacific Housing has relied on their wealth of experience and recognizes the challenges that many other inexperienced nonprofit organizations have had. Housing development requires much attention, and organizations must be constantly reeducated and in contact with the private and public sector. Otherwise, unprepared organizations find it hard to cope with inevitable development challenges.

Success

Although various funding sources made Palehua Terrace 2 possible, Pacific Housing acknowledges the key contributors to the success of the development were the architect and their own staff.

Since Pacific Housing does not rely on donations, volunteers, consultants or community assistance, the entire staff works together to find long-term funding sources in the form of loans or grants to build the organization's housing developments. Loans and overhead costs are paid by Pacific Housing's profits.

Outcomes

Palehua Terrace 2 has a high occupancy rate. Households are either working or going to school, and there are not many delinquencies. Tenants recognize the affordability of the rent they are paying in comparison to market rate units. Palehua Terrace maintains high tenant standards. As a result, the project has been able to successfully maintain a low delinquency rate.

While the general community doesn't always approve of affordable housing projects because they can be viewed as public housing, Pacific Housing recognizes that once people realize that tax credit projects are different, and organizations like Pacific Housing are helping people help themselves by providing affordable housing for working households, these projects are much more welcome in the community.

As more businesses and residential developments are being established, making west Oahu one of the fastest growing areas in the state, Palehua Terrace 2 offers families an affordable way to be a part of the rapidly growing community with its close proximity to schools, shopping, and a thriving business sector.

The location is ideal for families and the development is supportive and focused on providing affordable housing to families by offering larger two- and three-bedroom apartments with two bathrooms and community and recreational areas, including a private park, picnic area, community facility, and guest parking.

Palehua Terrace 2 is a successful example of what can be accomplished through public-private partnerships. Although demand for affordable housing on Oahu continues to far outweigh supply, Palehua Terrace 2 has proven an important example of what can be done to ease the island's difficult affordable housing situation.

Special thanks to Marvin Awaya, executive director of Pacific Housing Assistance Corporation, for providing invaluable information and insight on the project development of Palehua Terrace 2.

Affordable Elderly and Disabled Housing

Persons with disabilities

The Americans with Disabilities Act of 1990 (ADA) defines disability as, "a physical or mental impairment that substantially limits one or more major life activities (i.e., caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working)."

The three categories of individuals with disabilities are:

- ◆ Individuals who have a physical or mental impairment that substantially limits one or more major life activities
- ◆ Individuals who have a record of a physical or mental impairment that substantially limits one or more of the individual's major life activities
- ◆ Individuals who are regarded as having such an impairment, whether they have the impairment or not. Impairments include physiological disorders or conditions, cosmetic disfigurement, anatomical loss, and mental or psychological disorders.

Overall, Hawaii has a fairly low disabled population. For the population between the ages of five and 20, Hawaii has the lowest percentage in the country (4.4%); For the age groups 21 to 64 and 65 and over, Hawaii is ranked 45th (10.3% and 36.1% of the population respectively).[12]

Hawaii's State Department of Health, Adult Mental Health Division, estimates that the state has approximately 2,900 to 3,000 individuals with severe and persistent mental disabilities who have extremely low-incomes and need housing assistance. This may be a conservative estimate, as an unknown number of individuals with slightly higher incomes may also need assistance.[13]

Elderly households

Elderly is defined as individuals over the age of 62. An "elderly household" is made up of one or two people, either or both of whom are 62 or older. In Hawaii, 28.7% of total households are elderly households, the second highest percentage in the country. With 13.6% of the total population 65 years or older, the state is ranked seventh nationwide, but is second in the number of people who are 85 or older.[14]

Of the total elderly households, 30% rent and 70% own their homes. About 48% of renter and 25% of the owner households report housing problems.[15-16]

Frail elderly population

The Older American Act, Section 102(28) as amended in 1992, defines "frail elderly" as those elderly who lack the ability to perform at least two activities required for daily living without substantial human assistance. Activities of daily living include eating, bathing, dressing, getting out of bed and using the restroom. Specific numbers of frail elderly in Hawaii have not been determined, since the census includes the frail elderly in the general elderly population. However, HUD's Comprehensive Housing Affordability Strategy data is based on the Census 2000, and includes an "extra elderly household" population, which is defined as a one- or two-member household with either member being 75 years or older.

[12]U.S. Census Bureau, American Community Survey, 2005

[13]Community Housing Plan for Persons with Sever and Persistent Mental Illness, FY 2002-2006

[14]U.S. Census Bureau, American Community Survey, 2005

[15]Ibid

[16]Housing problems include: cost burden greater than 30% of income; overcrowding (1.01 or more persons per room); without complete kitchen or plumbing facilities.

Supportive Housing Priority and Un-met Need By County*

County of Hawaii			
County of Hawaii	**Priority Level** (High, Medium, Low)	**Un-met Need** (in units)	**$ to Address Need** (in millions)[17]
Severe Mental Illness	High	550	82.5
Developmentally Disabled	High	15	2.25
Physically Disabled	High	Unknown	
Elderly	High	129	19.35
Frail Elderly	High	747	112.05

Sources: State Department of Health; Hilo ARC; Kona ARC, Development Disabilities Council; Hawaii Housing Policy Study, 2003

County of Maui			
County of Maui	**Priority Level** (High, Medium, Low)	**Un-met Need** (in units)	**$ to Address Need**
Severe Mental Illness	Unknown	Unknown	
Developmentally Disabled	High	20	3,500,000
Physically Disabled	Unknown	Unknown	
Elderly	High	702	136,000,000
Frail Elderly	High	186	40,000,000

Source: State Department of Health; CHAS Data Book

County of Kauai		
County of Kauai	**Priority Level** (High, Medium, Low)	**Un-met Need** (in units)
Severe Mental Illness	Unknown	Unknown
Developmentally Disabled	Unknown	Unknown
Physically Disabled	Unknown	Unknown
Elderly	High	2,131
Frail Elderly	High	291

Source: Hawaii Housing Policy Study, 2003
**Data for Oahu not available*

[17]Calculated by multiplying the number of units by $150,000

Elderly population growth

While the overall population of Hawaii is expected to grow by 29% by the year 2010, over 60 population is projected to increase by 73% — nearly 300,000 people. By the year 2020, every fourth person in Hawaii will be 60 years or older, and those 85 years and older will grow to 3.3% of the population. As Hawaii's aging population grows, so too will the need for affordable housing options that meet the specific needs of this demographic.

Projection of Hawaii's Older Population (2000-2025)

Age Group	Year Projected			
	2000	2010	2020	2025
All ages	1,212,670	1,346,600	1,489,550	1,560,400
55 to 64	106,961	165,091	176,585	149,993
65 to 74	85,262	98,643	154,211	168,235
75 and over	75,339	97,331	115,885	141,018
85 and over	17,564	31,187	38,867	40,812
65 and over	160,601	195,974	270,096	309,253

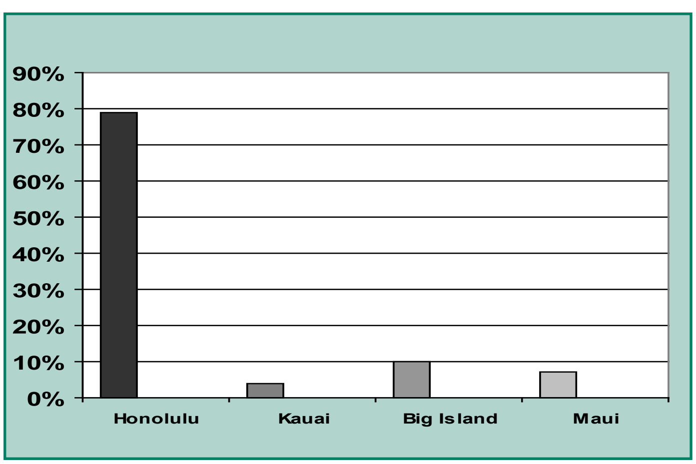
Source: Hawaii State Department of Business, Economic Development & Tourism, 2000

Table 9: percentage of Hawaii's Older Population (2000-2025)

Age Group	Year Projected			
	2000-2010	2010-2020	2000-2020	2000-2025
All ages	6.8	8.9	16.1	20.6
55 to 64	54.3	7.0	65.1	40.2
65 to 74	15.7	56.3	80.9	97.3
75 and over	29.2	19.1	53.8	87.2
85 and over	77.6	24.6	121.3	132.4
65 and over	22.0	37.8	68.2	92.6

Source: Hawaii State Department of Business, Economic Development & Tourism, 2000

Hawaii's elderly population is not distributed evenly across counties. Seventy-nine percent of the state's elderly population is concentrated on Oahu. Between 1990 and 2000, the County of Honolulu experienced a 4.8% increase in overall population and a 17.6% increase in the number of residents 60 and older.



Source: U.S. Census, American Community Survey, 2005

Low-income elderly and disabled

Just over 21% of Hawaii's 60 and older population have incomes below 200% of the poverty threshold. Almost one in three women and one in four men aged 85 or older has an income below 200% of the poverty threshold.[18]

As the low-income elderly and frail population grows, adequate funding for supportive housing programs is becoming increasingly scarce. According to the 2005 American Community Survey, 36.1% of the population 65 and older has a disability. Because this group also has a higher percentage of lower-income individuals, the demand for affordable and supportive housing has increased substantially (see Table 37). In Hawaii, 3.4% of elderly population receives Supplemental Security Income (SSI).[19] The current SSI monthly payment is $645. In order to rent an "affordable" living space on SSI, rent must be about $215. However, in Hawaii, the FMR for a one-bedroom unit is $995.[20]

Since the income of people with serious and persistent mental illness most often is comprised solely of SSI benefits, housing for this population typically receives an on-going government housing subsidy of some kind to ensure affordability. Without a housing subsidy, even modestly priced rental housing in Hawaii would have rents greater than the monthly SSI payment.

Current elderly and disabled housing

The prospect of a large number of older and/or disabled individuals with low-incomes and requiring supportive housing does not automatically result in un-met affordable shelter and care needs. Other conditions often exist, whether the individual has a spouse or a family member who is able to provide care or contribute financially. In Hawaii, the multicultural and multi-generational backgrounds of the population, coupled with traditional extended family care-giving traditions, mean a higher number of the elderly persons remain in family homes.

Of the 156,045 households in Hawaii that include elderly members, multi-generational families represent 42%. Over three-quarters (77.6%) of individuals 60 above are living in family households. Over 74% of households with an elderly member own the home in which they live. Of that number, 79.4 have lived in their current residences for at least five years[21].

Almost all of Hawaii's older adults desire to age in place; 79.4% of Hawaii's older population is not interested in ever moving from their current residence.[22] With a high percentage of older adults living in family settings (77.6%), the state has a comparably smaller percentage than the national average of older adults living alone (16.5% versus 25.4%) or in institutions (1.7% versus 3.7%).[23]

The high number of households that include elderly members impacts the state's average household size, which is currently ranked third in the nation at 2.88 persons per household. This large household size suggests overcrowding concerns, especially in lower income households (see Table).[24]

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[18]U.S. Census Bureau, 2000

[19]U.S. Census Bureau, American Community Survey, 2005

[20]Ibid

[21]U.S. Census Bureau, American Community Survey, 2005

[22]Hawaii Housing Policy Study, 2003

[23]U.S. Census Bureau, 2000

[24]U.S. Census Bureau, American Community Survey, 2005

Elderly Housing Output*

Household by Type, Income, & Problem	Renters		Homeowners		Total Households
	Elderly Household	Total Renters*	Elderly Household	Total Owners	
Income ≤ 50% AMI	13,513	65,518	13,308	28,661	94,179
Income ≤ 30% AMI	8,954	36,874	5,874	13,209	50,083
% w/housing problems**	59.5	72.3	60.4	69.4	71.5
% cost burden > 30%	56.8	65.8	59	64.7	65.5
% cost burden > 50%	39.8	54	39.8	49.1	52.7
Income >30% to ≤ 50%	4,559	28,644	7,434	15,452	44,096
% w/housing problems	65.2	73.1	36.8	56.7	67.4
% cost burden > 30%	59.9	61.9	35.8	50.7	58
% cost burden > 50%	21.7	23	21.5	34.2	26.9
Income > 50% to ≤ 80%	4,698	40,022	11,285	33,074	73,096
% w/housing problems	47.9	54.4	29	54.9	54.6
% cost burden > 30%	40.2	35.4	27.6	47.2	40.7
% cost burden > 50%	6.9	4.8	14	22.1	12.6
Income > 80% AMI	5,674	69,822	31,732	166,080	235,902
% w/housing problems	18.3	24.6	14.1	31.1	29.2
% cost burden > 30%	10.4	7.2	13.3	21.4	17.2
% cost burden > 50%	1.7	0.5	3.5	3.5	2.6
Total Households	23,885	175,362	56,325	227,815	403,177
% w/housing problems	48.5	49.3	24.9	38.5	43.2
% cost burden > 30%	43.1	34.9	23.9	29.6	31.9
% cost burden > 50%	20.8	16.4	11.8	10.9	13.3

Source: U.S. Census, CHAS Data Book 2000

*CHAS data is only provided decennially

**Renter data does not include renters living on boats, RVs or vans.

*** Housing problems include: cost burden greater than 30% of income; overcrowding (1.01 or more persons per room); without complete kitchen or plumbing facilities.

Supportive services for elderly and disabled

Over one-third of households (37.6%) with an elderly member report needing assistance with personal care or life management as a result of physical, mental or emotional limitation. The most frequently reported need for assistance is for transportation to medical appointments, shopping and other daily activities (45.1%). Daily living activities (36.7%), light chores (34.9%) and heavy chores (32.7%) were also cited as important needs.[25]

During the last decade, a paradigm shift has occurred in housing models to include the seriously and persistently mentally ill. Implementation of the paradigm shift is reflected in the “supportive housing” model that has proven effective in promoting community integration and independent living for people with psychiatric disabilities. The principals of supportive housing include, but are not limited to, a wide range of services and support accessible to tenants, with services flexible enough to meet a tenant’s changing needs, while housing remains permanent.[26]

[25]Hawaii Housing Policy Study, 2003

[26]State of Hawaii Department of Health Adult Mental Health Division, Community Housing Plan for Persons with Serious and Persistent Mental Illness FY 2002-2005, 2002

Future housing needs

Many older adults who live alone say they would like their next home to be a one-bedroom, one-bathroom apartment or condominium rental. Most elderly couples plan to purchase a single-family dwelling with two- to three-bedrooms and two-bathrooms. The most frequently reported housing modification need for elderly households is a shower seat. Nearly one-fifth of older adults living alone desire an emergency call device system in their home, while approximately 12% of elderly couples identified a wheelchair ramp as a necessary feature of their current or next residence.[27]

Individuals with a physical or mental illness are clearly more susceptible to homelessness than other sub-populations. In the State of Hawaii, those with physical illnesses or disabilities are the largest sub-population, comprising about 40% of the total homeless population.[28] Individuals suffering from mental illness or a disability make up the second-largest population (30%). The sub-population determines the type and level of needed services as well as the types of needed homeless prevention programs. However, appropriately targeted prevention programs can positively affect the homeless population.

Individuals with a serious or persistent mental illness are among the most vulnerable populations in Hawaii. Medical problems, developmental disability and substance abuse often exacerbate mental illnesses. Housing needs include access to integrated services, preferably in the same location and provided by the same group of caregivers. When treatment results in successful stabilization, supported housing is generally the residential option of choice.[29]

The explosive increase in Hawaii's elderly population will have a significant impact on all aspects of island society, including housing and health services, social services, interpersonal and family relationships and economic structure. Similarly, those with disabilities and extremely limited incomes are facing severe housing problems in Hawaii's current rental housing market where they cannot compete for even modestly priced housing.

Following are five case studies addressing affordable housing needs of the disabled and elderly in Hawaii.

[27]Hawaii Housing Policy Study, 2003

[28]Homeless Point-in-Time Count Report 2003, April 2004

[29]State of Hawaii Department of Health Adult Mental Health Division, Community Housing Plan for Persons with Serious and Persistent Mental Illness FY 2002-2005, 2002

Hualalai Elderly Housing Project Phase 2

Hawai`i Island Community Development Corporation Hawai`i County, Hawaii

Hualalai Elderly Housing Project, Phase II

75-258 Hualalai Road

Kailua Kona, HI 96740

Hualalai Elderly Housing Project, Phase II, a 36-unit rental complex in Kailua, Kona, provides affordable housing to very-low income seniors on the west side of the Big Island. Owned and operated by Hawai`i Island Community Development Corporation (HICDC), the project promotes a community environment and provides onsite assistance from a variety of local social service organizations.

Organization

HICDC's mission is to provide low-income residents with housing opportunities. HICDC develops elderly housing for low-income senior citizens, provides technical assistance to participants in the U.S. Department of Agriculture (USDA) Rural Development Self-Help Housing Program, and assists clients in applying for loans from Rural Development. The organization serves Hawaii County.

Need

As Hawaii's elderly population and HICDC's elderly housing waiting list grew, the organization quickly recognized the need for a second phase of the Hualalai Elderly Housing Project.

In 2005, residents aged 62 and over comprised 16% of the county's total population, and 27% of all households with one or more persons aged 65 or older. At the same time, 28% of the island's rental households were cost burdened, paying 35% or more of their income for housing.

PROJECT TYPE

36-unit, one-bedroom apartment complex

RESIDENT PROFILE

Very-low income, at or below 50% area median income, 62-years or older

RENT STRUCTURE

Subsidized

$775 monthly

$205 average tenant contribution

KEY FEATURES

Community garden, front and backyards, indoor and outdoor plazas, meeting rooms, laundry, parking

KEY SERVICES

On-site services provided by Office of Aging Nutrition Program, Food Bank and the Center for Independent Living

PROJECT COST

Total project:	$5,147,000
Per unit:	$142,972

CONTACT INFORMATION

Hawai`i Island Community Development Corporation

Keith Kato

Executive Director

99 Aupuni Street, Suite 104

Hilo, Hawaii 96720

Tel: (808) 969-1158

Fax: (808) 935-6916

Email: hicdc@aloha.net

Project

Hualalai Elderly Housing Project, Phase II was developed for very-low income elderly residents in west Hawaii. The project consists of 36 one-bedroom, one bath units with approximately 520 square feet of living space. Hualalai Elderly Housing, Phase II mirrors Phase I but includes six additional units. Eligible tenants are 62 years and older with incomes at or below 50% of the area's median income. Tenants receive project-based rental assistance from USDA Rural Development.

Hualalai Elderly Housing Project, Phase II units include front and backyards and community garden space. In addition, facilities such as an outdoor plaza, common building and meeting rooms promote resident socialization and a community environment.

Local organizations such as the Office of Aging Nutrition Program, Food Bank and the Center for Independent Living use the indoor central plaza to coordinate onsite services.

Finance

Funding for the project came primarily through the federal and state Low Income Housing Tax Credit Program (LIHTC) via an equity investment by the Hawaii Affordable Housing Fund II. Rural Community Assistance Corporation provided a predevelopment loan of $550,000 for architectural plans, specifications, legal costs and other up-front fees.

Total construction cost for Hualalai Elderly Housing was $5,147,000. HOME funds were committed for interim financing and were used for on-site construction costs. Additional interim financing of $3,870,600 was provided by the state Rental Assistance Revolving Fund.

Permanent sources of funding included the equity investment, a grant from the County of Hawaii and low-cost state financing. In addition, the USDA Rural Development 515 program was used for permanent financing and rental subsidy. The subsidy, in addition to the equity investment and low-cost financing, made rents affordable for very-low income seniors on fixed incomes.

Challenges

A rise in construction costs over the last few years made finding funding sources challenging. Additional sources were needed for gap financing and to provide an appropriate contingency. With multiple layers of funding, paperwork became a new challenge, especially in regard to federal funds. Administrative work required much of the staff's time and resources.

Success

The successful development of the project is largely attributable to HICDC's ability to lease the land from the county at no cost for one and a half years. Without the no-cost lease, expensive land would have made the project unaffordable.

In addition, HICDC recognizes its strong construction development team as a fundamental anchor to the successful development of the project. The construction

PROJECT FINANCING

Total Cost of Project	$5,263,083
Sources of Funds	
Construction and Permanent	
HUD HOME	$775,000
Permanent and Rental Assistance	
USDA Rural Development 515	$600,000
Permanent	
HCRC*	$682,000
LIHTC** State & Federal	$3,363,600

*Hawaii Community Reinvestment Corporation

**Low Income Housing Tax Credit

team consisted of individuals with whom HICDC has had working relationships with for a number of years. The familiarity and established trust provided an ease and confidence that enabled smooth construction.

Now, Hualalai Elderly Housing's successful ability to promote a sense of community has translated into compassion and sharing between residents. As a result, residents have set up a neighborhood watch association and organized various social groups. Hualalai Elderly Housing's management coordinates additional services with groups such as, the University of Nations and local Boy and Girl Scout troops.

Outcomes

Hualalai Elderly Housing had a large impact on the rapidly growing elderly population in west Hawai`i. By providing affordable rentals to the areas growing population of very-low income elderly residents often living on fixed incomes.

Between Hualalai Elderly, Phase I (30-units) and Hualalai Elderly, Phase II (36-units), 66 elderly households within the North Kona District now have the security of affordable housing. But, the need for affordable housing for the elderly continues to grow and HICDC's waiting list now includes 98 names for Phase I and 97 for Phase II.

Special thanks to Keith Kato, executive director of Hawai`i Island Community Development Corporation, for providing invaluable information and insight on the project development of Hualalai Elderly Housing Project, Phase II.

Senior Residence at Kaneohe

Pacific Housing Assistance Corporation
City and County of Honolulu

Senior Residence at Kaneohe

45-705 Kamehameha Highway

Kaneohe, Hawaii

Pacific Housing Assistance Corporation was the first organization in the country to develop a project using six different sources of funds, including HUD Section 202 and Low Income Housing Tax Credits. The project, Senior Residence at Kaneohe, is a four-story apartment complex with 74 one-bedroom units for very-low and low-income seniors residing in the City and County of Honolulu.

Organization

Pacific Housing was created in 1980 as a statewide, private, nonprofit organization with a goal of providing housing for low-, moderate- and gap-income groups. In addition to housing development, the organization has provided housing rehabilitation and renovation, technical services and consulting. In the last 25 years, Pacific Housing has developed and/or assisted other corporations in creating more than 1,350 housing units, with an estimated valued of $156 million.

Need

According to statistics from the State of Hawaii Executive Office on Aging, the elderly population in Hawaii is increasing much faster than in the rest of the nation. While the overall population of Hawaii is expected to grow 29% by the year

PROJECT TYPE

74-unit, one-bedroom affordable senior rental complex

RESIDENT PROFILE

Very-low and low-income seniors, 50 to 60% area median income

KEY FEATURES

First project in the nation to be successfully developed using HUD Section 202, Low Income Housing Tax Credits, and four other funding sources

KEY SERVICES

Community center, emergency call system, laundry facility, and a landscaped interior courtyard

PROJECT COST

Total project:	$11,000,000
Per unit:	$148,648

CONTACT INFORMATION

Pacific Housing Development Corporation

Marvin Awaya

Executive Director

677 Ala Moana Boulevard, Suite 712

Honolulu, Hawaii 96813-5419

Tel: 808-523-5681

Fax: 808-559-1821

Email: m-awaya@hawaii.rr.com

2010, the number of individuals 60 years and older is projected to increase by 73% (300,000 people). By the year 2020, every fourth person in Hawaii will be 60 years or older; with those 85 years and older making up 3.3% of the state's population.

When the Senior Residence at Kaneohe was built in the late 90s, the shortage of senior housing was already evident. The number of people in Hawaii 60 and older grew by 52.5% between 1980 and 1990, while the total population grew by just 14.9%. The oldest segment of this population, 85 years and older, grew 87%.

Project

The Senior Resident at Kaneohe sits on 1.5 acres of land and consists of a four-story, hollow-tile structure with 74 one-bedroom units, 48 parking stalls, a mail room and a community center. The units are approximately 430 square feet with an emergency call system and a sophisticated state-of-the-art fire alarm system in each unit. A common laundry facility and storage lockers are available on the first floor, and a landscaped interior courtyard provides a peaceful garden vista. The manager resides in a two-bedroom unit with office.

In accordance with various funding sources, the Senior Resident at Kaneohe is divided into two "condominiums" or sections: Apartment A and Apartment B. Pacific Housing Oahu Corporation owns the HUD-funded Apartment A (44-units targeting very-low income elderly households). Kaneohe Elderly Housing Project Limited Partnership, a subsidiary of Pacific Housing, owns the tax credit project, Apartment B (30-units targeting low-income elderly households. The land on which the development was built is owned by the City of Honolulu and is leased to both owners for 55-years at $1 per year.

PROJECT FINANCING

Total Cost of Project	**$11,000,000**
Sources of Funds	
Acquisition	
CDBG*	**$1,090,000**
Capital Advance	
HUD Section 202	**$3,043,400**
New Construction	
HUD HOME	**$2,240,000**
LIHTC**	**$1,894,204**
Rental Assistance	
RHTF† and RARF††	**$99,900**

***Community Development Block Grant**
****Low Income Housing Tax Credit**
†State Rental Housing Trust Fund
††State Rental Assistance Revolving Fund

The Senior Residence at Kaneohe was developed on a long but relatively narrow strip of land that sloped downwards from the street level toward a drainage easement at the rear of the property. To keep a low profile from the street level and still build a four-story building, the sloped, forward half of the land was excavated and leveled with a concrete retaining wall, allowing the first and second floors to be built below grade. In fact, concrete was used throughout the structure to provide an attractive and secure building.

Finance

The Senior Resident at Kaneohe is a true public-private partnership. Its unique financing creatively combines six different public and private programs. To utilize the six funding sources for development and construction, Pacific Housing, created two corporations for each apartment building: Kaneohe Elderly Housing Project Limited Partnership, a Hawaii limited partnership; and Pacific Housing Oahu Corporation Elderly Residence, a Hawaii nonprofit corporation established in accordance with HUD Section 202 requirements.

The total cost of creating the Senior Residence at Kaneohe was approximately $11.1 million. Funding included loans and grants from the City and County of Honolulu under the Community Development Block Grant (CDBG); HOME Program; State of Hawaii Rental Housing Trust Fund and Rental Assistance Revolving Fund; HUD Section 202 Supportive Housing for the Elderly; and Hawaii Investors for Affordable Housing, Inc. under the Low Income Housing Tax Credit (LIHTC) program. Developers established the A and B two-unit condominium approach in order to utilize all six funding sources.

Since the HUD funds for the project covered the financing for only the 44-units of Apartment “A”, Pacific Housing financed the remaining 30-units of Apartment “B” with LIHTC. The differences in regulations for the tax credit program and the HUD housing program funds were a challenge from the start and outlined the glaring differences and objectives of the programs. For example, receiving another grant for the project would have reduced Pacific Housing’s eligibility to receive more tax credits, whereas additional funding leverage is favorable for HUD housing programs. The tax credit program is operated as an IRS tax program; whereas the HUD 202 is a housing program.

Challenges

Plagued by rising costs and design problems that delayed construction for nearly two years, the Senior Residence at Kaneohe faced many challenges early on. Initially, the city issued a contract to Pacific Housing Oahu Corporation to develop 81-units for the elderly rental project. However, by July 1998, construction costs had sent the project over budget, and the city sought funding to redesign and realign construction costs to fit within its budget. The project was scaled back to 75-units, with an accompanying $3.5 million in construction costs.

The Senior Residence at Kaneohe was then scheduled to be completed in 2000 with approved applicants ready to move into the much anticipated and needed affordable units. However, the development experienced another unexpected obstacle when an inadequate sewer line hook-up required an immediate upgrade. The cost of the upgrade exceeded the developer’s budget and the project was again stalled until the city approved a cost item waiver, bringing the construction costs in line with the budget.

The completion of an off-site upgrade to the sewer line hook-up between the new apartments and the city’s main sewer line, a requirement for the project’s approval, allowed tenants to move-in incrementally as the sewer line construction progressed. The units were fully occupied near the end of 2001.

Despite the many setbacks and delays, Pacific Housing’s experience and perseverance enabled them to be one of the first developers to build HUD- and LIHTC-funded buildings on the same property. Pacific Housing also is one

of the few agencies to tackle the demanding requirements of funding one project with six funding sources.

In fact, coordination, timing and compliance with multiple funding sources proved to be the most challenging part of developing the Senior Residence at Kaneohe. Regulations, required steps, approval processes, release of funds and layering all of the funding programs together necessitated a vast knowledge of the programs, their limitations and their flexibility. Experience allowed Pacific Housing to use these funding sources with confidence, recognizing the general inflexibility of government funding and the conflicts of interest that can arise when working with private and public funding sources.

Success

Pacific Housing was the first organization in the country to use six different sources of funds including HUD Section 202 funds and LIHTC to develop a project. The ability to develop this project entailed much experience, vision, and dedication. Driven by specific goals and the ability to follow them to completion provided Pacific Housing with the mission and perseverance to successfully develop this project.

Pacific Housing attributes the success of the Senior Residence in Kaneohe to the development team: Luersen Architect, Inc. (architect); Tanimura & Associates, Inc. (structural engineer); Hawaiian Dredging Construction Company (general contractor); and its own staff.

Using multiple resources and understanding those resources was fundamental to Pacific Housing's development success. The state and county also were major components in funding the project, and the development team and staff worked well together to make the project possible.

Pacific Housing emphasizes the importance of experience and knowing exactly what to expect before applying for specific funds because regulations, conflicts of interest, inflexibility and funding cycles vary greatly with each source. Experience in real estate, housing development and housing management, also are essential to project and developer success. Importantly, the project should be in line with an agency's mission, and staff must have the long-term dedication to remain throughout project difficulties.

Outcomes

The Senior Residence at Kaneohe provides affordable rentals to 74 very-low and low-income elderly households. The rentals are generally long-term, and due to the rising elderly population on the Island, there is a minimal vacancy rate and a growing waiting list.

Pacific Housing has had some problems with utility allowances. The allowances are based on the washer, dryer and dishwasher in each unit. Since many of the units at the complex do not have these appliances, the operating expense for each unit per month is budgeted high. Pacific Housing is now considering installing market-rate rentals to stay within the operational budget of very-low and low-income units.

Special thanks to Marvin Awaya, executive director of Pacific Housing Assistance Corporation, for providing invaluable information and insight on the project development of the Senior Residence at Kaneohe.

Lihue Theatre Weinberg Senior Apartments

KAUAI HOUSING DEVELOPMENT CORPORATION KAUAI COUNTY, HAWAII

Lihue Theater/Weinberg Senior Apartments

3-3194 Kuhio Highway

Lihue, Hawaii 96766

Lihue Theater/Weinberg Senior Apartments, a 20-unit apartment building in Kauai County, provides housing to very-low income seniors earning 50% or below the area median. In 1999, Kauai Housing Development Corporation restored the historic Lihue Theatre, a 1930s movie theatre, and converted the building into much needed elderly housing.

Organization

Incorporated in 1992 as a private nonprofit corporation, the mission of Kauai Housing Development Corporation (KHDC) is to provide affordable housing for low- and moderate-income families. KHDC aims to "lessen the burdens of the government of the State of Hawaii and the County of Kauai" through its work.

Need

Nearly 10 years ago, with a 45% increase in the senior population on Kauai, and with Lihue having the highest concentration of residents over 60 on the Island, demand for area senior housing was evident to the county and KHDC.

The Lihue Theatre Senior Apartments were completed in 1999. It was the first development in Kauai to serve the very-low income elderly population in 15 years.

PROJECT TYPE

20-unit, one-bedroom apartment building

RESIDENT PROFILE

Very-low income, at or below 50% area median income; 62-years or older

KEY FEATURES

Meeting rooms, restored theatre lobby and façade

PROJECT COST

Total project:	$3,600,000
Per unit:	$180,000

CONTACT INFORMATION

Kauai Housing Development Corporation
John Frazier
Executive Director
2955 Aukele Street
Lihue, Hawaii 96766
Tel: (808) 245-5937
Fax: (808) 245-5954
e-mail: khdc@aloha.net

Lihue Theatre Senior Apartments
Brian Mah
Resident Manager
Tel: (808) 245-6699

Project

The historic Lihue Theater was built in 1931 and used by Consolidated Amusement and other businesses until the 1980s. The existing structure is listed on the Kauai Historical Building Inventory and is eligible for placement on the National Register of Historic Buildings.

In 1992, Lihue Theater was severely damaged by Hurricane ʻIniki. Although the community desired to retain the historic appearance of the theatre, the building could not be used for any commercial purposes, as space for additional parking stalls was not available. The severe need for elderly housing in Lihue, and the lower parking requirements for elderly housing projects (lower than any other commercial use with only one stall for every three units), lead to the most responsive and effective use of the building.

In 1999, KHDC restored and converted the theatre into a senior apartment complex. The historic integrity of the building was carefully retained. From the outside, Lihue Theatre still appears to be a movie theatre with restored signage, a marquee, and movie posters. In addition, a theatre lobby complete with a ticket booth greets arrivers. The façade and lobby areas were restored to their original appearance, with modifications for wheelchair accessibility and special purpose rooms such as laundry facilities and meeting areas. Behind the lobby, 80% of the original structure was demolished and replaced by a three-story concrete apartment building with an interior atrium.

Lihue Theatre Senior Apartments sits on 3.5 acres and consists of 20 one-bedroom units and a resident manager's unit. All units are similar in floor plan with each unit at 520 square feet.

PROJECT FINANCING

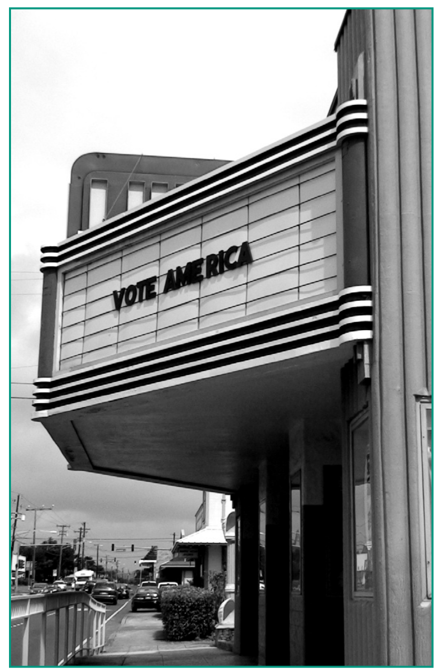
Total Cost of Project	$3,600,000
Sources of Funds	
Pakui Program HOME	$2,200,000
RHTF* Loan	$834,000
RHTF* capacity building grant	$18,500
Weinberg Foundation	$400,000
FHLB**	$160,000

*Rental Housing Trust Fund

**Federal Loan Home Bank of Seattle

Finance

Sixty percent of funding for the Lihue Theatre Senior Apartments was provided by HUD HOME funds. The County of Kauai Pakui Program, disaster relief HOME funds for Hurricane ʻIniki, funded the new construction of the units, and additional county HOME funds were provided for unexpected expenses due to the historical restoration. Other major contributors to the project include: The State of Hawaii with a no-interest long-term loan from the Rental Housing Trust Fund and a small capacity building grant; a 55-year low-cost lease from the county, a grant from the Harry & Jeanette Weinberg Foundation; and a grant from the Federal Home Loan Bank (FHLB) of Seattle. The total cost of the project was $3.6 million.



With a low cost lease at nominal terms, Pakui Housing funds, state grants, and private donations, the Lihue

Theatre Senior Apartments was built at very low cost and is virtually debt free. The only loan made was through the state's Rental Housing Trust Fund, which provided KHDC with a construction loan and permanent financing of $834,000 for 42 years with no interest. The fund also provided another $18,500 in the form of a capacity building grant.

Challenges

The obstacles of administrative delays and preliminary work, required before demolition could occur, transpired early on. Unfortunately, additional challenges arose during the construction phase. Due to the extremely difficult task of forming accurate cost estimates and scopes of work for rehabilitation and historic restoration, projects can often result in unforeseen costs and construction delays. The Lihue Theatre Senior Apartments was no exception, and construction took several months longer than expected with the discovery of severe dry rot and termite damage by the contractor, SteelTech Inc. In addition, the exterior shingles had high contents of lead, which required appropriate removal and disposal of on the mainland. Significant structural damages resulting from Hurricane ‘Iniki had separated the plaster, creating crevices for rain water to flow down, thereby causing further damage.

The unexpected costs required KHDC to seek additional funds. Construction halted for about three months, until KHDC was able to secure HOME funds from the county, and the contractor was able to resume the renovation and rehabilitation work.

While the additional funds caused delays in the project, most of the funding sources were not major obstacles. However, KHDC did recognize that the compliance requirements for the Federal Home Loan Bank were extremely difficult, and as a result, the agency will probably not use this source in the future.

For the long term management and operations of the project, KHDC expressed the difficulty in estimate future costs and future expenses for affordable housing developments and operations. With escalating operating costs over the last fours or five years and HUD rent structures unable to keep pace, the Lihue Theatre Senior Apartments does not have a cash flow. KHDC realizes that they may need to change their target rents from 50% of median income to 60% of income to maintain operations.

Success

While KHDC acknowledges that the ability to restore and develop the Lihue Theatre Senior Apartments is due largely to HOME funds, KHDC also attributes the success of the project to their organization. As they are a small company, they have successfully taken on numerous projects to address the needs of the communities they serve by efficiently and effectively using the expertise of their staff and board.

Since the development process is long, taking place over several years, KHDC utilizes their small staff into different departments (i.e., finance, marketing) to delegate responsibilities according to each staff member's skill and experience.

KHDC has also been able to successfully use the talents and expertise of their board members. When the Lihue Theatre Senior Apartments was undergoing restoration, a board member and well-known historian on the Island, provided considerable assistance with the historical aspects of the project.

Outcome

Lihue Theatre Senior Apartments provides 20 very-low income elderly households access to affordable housing. Through public and private partnerships and working with the community, the project successfully addressed the immediate need for elderly housing on the Island, the fulfilled the community's desire to retain the historic appearance of the building.

Special thanks to John Frazier, executive director for Kauai Housing Development Corporation, for providing invaluable information and insight on the project development of the Lihue Theater/Weinberg Senior Apartments.

Hale Ulu Hou Phase 3

The Arc of Hilo
Hawaii County, Hawaii

Hale Ulu Hoi, Phase III

485 Laukapu Street

Hilo, Hawaii 96720

Hale Ulu Hou, Phase III provides 17 units to low-income individuals with developmental and other disabilities. Owned by The Arc of Hilo and managed by Day-Lum Rentals & Management, Inc., Hale Ulu Hou III is located in Hilo, on the Big Island.

Organization

Incorporated in 1954, The Arc of Hilo was the first organization on the Big Island developed specifically to help the mentally disabled lead satisfying, integrated lives. Today, The Arc of Hilo is the largest employer of the disabled in Hawaii County with about 40 disabled employees. The organization serves 200 individuals with developmental or other disorders and has an average operating budget of $5.2 million.

The Arc of Hilo improved the quality of life for people with developmental or other disabilities through educational, recreational, vocational and skills training, as well as employment and residential opportunities. Since 1980, The Arc of Hilo also has provided independent living housing to low-income individuals with disabilities.

Need

One of The Arc of Hilo's goals is to assure the availability of residential alternatives for developmentally and/or physically disabled persons, allowing them to live and develop successfully within

PROJECT TYPE

18-unit, two-bedroom apartment building

RESIDENT PROFILE

Low-income, developmental and/or other disabilities

–

KEY FEATURES

Designed for a self-sufficient lifestyle

PROJECT COST

Total project:	$1,716,276
Per unit:	$95,348

CONTACT INFORMATION

The Arc of Hilo
Ronald Penn
President
1099 Waianuenue Avenue
Hilo, Hawaii, 96720-2019
Tel: 808-935-8534
Fax: 808-961-0148
Email: info@hiloarc.org

Hale Ulu Hou, Phase III
Day-Lum Rentals & Management, Inc,
Tel: 808-935-4152

the community. Affordable housing for the disabled is in such high demand in Hilo that The Arc of Hilo officials say they could fill two more apartment buildings with 18-units each tomorrow. Affordable housing units are often developed and operated by nonprofit organizations, but many do not have the experience or skills needed to wade through the regulations and requirements necessary to build such developments.

Project

Nearly a decade ago, The Arc of Hilo's executive director learned the owner of a local apartment complex was looking for a quick sale. The Arc of Hilo immediately put together a plan to purchase and renovate the building. The organization is always looking for new project opportunities and any prospects are discussed with staff, their finance committee and the board of directors.

The Arc of Hilo identified the apartment building as a suitable facility to acquire and renovate for clients capable of independent living and the project became known as Hale Ulu Hoi, Phase III. The apartment building was built in 1972 and is a three-story concrete masonry structure with 18 apartments.

The complex spans two city lots (about a quarter acre). Each unit has two-bedrooms that are between 600 and 800 square feet each. Half of the units now are occupied by two-person families, with the rest occupied by individuals. The units include a living/dining area, kitchen and balcony. There is no elevator in the building, so the first floor is reserved for the physically disabled.

Finance

The Arc of Hilo hired funding consultants to research various applicable loan funds, then completed applications. They now employ a full-time fund-raiser.

The Arc of Hilo used HOME funds to renovate Hale Ulu Hoi, Phase III. There also are eight HOME assisted units.

The Arc of Hilo received $725,000 through HUD's HOME program. The county acted as the liaison between HUD and The Arc of Hilo, and proved to be extremely helpful.

The Arc of Hilo raised $135,000 for the project, received a loan of $485,000 from Hawaii Community Reinvestment Corporation (a collaborative of various bankers) and also obtained $507,000 from the Rental Housing Trust Fund. HOME funds were channeled through the county, which assisted with renovations.

Because the project's funding required a great deal of paperwork that resulted in a large administration effort as well as a great number of restrictions regarding the use of federal funds, The Arc of Hilo officials understood that any difficulties were far outweighed by potential benefits to clients and the community.

HOME funds were used for the renovation portion of the project including, relocation of water heaters to a more accessible area for the ease of maintenance and to increase the usable floor area in the units; replacement of bathroom fixtures; updated range hoods, range exhausts and cabinets; modification of one apartment to a handicapped accessible unit; and installation of a 24-hour nurse-call system to accommodate elderly and handicapped tenants.

Challenges

The Arc of Hilo's staff and consultants were not experienced in creating these types of affordable housing developments. They did not have a staff person who was knowledgeable about the rules, regulations and steps necessary to successfully develop the project. The Arc of Hilo has now built its staff and client base, which in turn, has increased resources and networking.

When The Arc of Hilo's executive director and some consultants left the organization, and a new CFO came on board (in December 1999), there was a lot of work to do. The Arc of Hilo officials quickly realized that to successfully create new developments, they needed a full-time staff member who could be directly involved in the development and/or operation of its projects.

Although The Arc of Hilo purchased the apartment building in winter of 1998, it was not until fall of 2003, that Hale Ulu Hoi, Phase III was fully renovated and ready to operate. Lack of staff expertise and manpower, caused the project to mov slowly and resulted in a significant loss of potential income.

PROJECT FINANCING

Total Cost of Project	$1,716,276
Rehabilitation	$724,000
Acquisition	$992,276

Sources of Funds

HUD HOME	$724,000
HCRC*	$485,000
RHTF**	$507,276
The Arc of Hilo	$135,000

*Hawaii Community Reinvestment Corporation

**State Rental Housing Trust Fund

Success

Adequate funding provided the key to completing the Hale Ulu Hoi, Phase III project. However, The Arc of Hilo attributes the success of the development process to the Hawaii County's Office of Community Development/ Housing Office (OCDH). According to The Arc of Hilo officials, OCDH was extremely helpful throughout the development phase, offering direction, advice and assistance in understanding the three-inch-thick HUD HOME funds contract.

Outcomes

The project addresses the community need for affordable housing for the developmentally and/or physically disabled, elderly, and very-low and low-income populations.

Hale Ulu Hoi, Phase III currently is operating smoothly, with most clients staying long-term (one to two years). The complex has a waiting list of between 20 and 25 people.

The Hilo community has a growing need for affordable housing alternatives for the disabled and low-income populations. Hale Ulu Hoi, Phase III has positively impacted the community by increasing the supply of affordable housing for special needs populations. The project provides individuals with a lifestyle that preserves their dignity and helps integrate them into society.

Special thanks to Ronald Penn (former president of The Arc of Hilo) for providing invaluable information and insight on the project development of Hale Ulu Hou, Phase III.

Hale O Mana'o Lana Hou, Phase 2

Lokahi Pacific Community Development Corporation

Maui County, Hawaii

Hale O Mana'o Lana Hou, Phase II

1935 Main Street, Suite 204

Wailuku, Hawaii 96793

Hale O Mana'o Lana Hou, Phase II, a 15-unit rental housing project in Wailuku, provides affordable housing for the chronically mentally ill in Maui County. Developed and operated by Lokahi Pacific Community Development Corporation, the project promotes long-term independent living.

Organization

Lokahi Pacific Community Development Corporation (Lokahi Pacific) is a nonprofit Community Housing Development Organization (CHDO) chartered under the State of Hawaii. Founded in 1970 from a federal grant to implement a community economic development program, Lokahi Pacific is the only designated CHDO on Maui County.

The mission of Lokahi Pacific is to improve the economic and social quality of life for Hawaii residents. To fulfill its mission, Lokahi Pacific develops projects that enrich the economic climate, increase the inventory of affordable and special needs housing and ensures that residents participate in and benefit from the projects. The organization focuses its community economic efforts in two areas: small business development and special needs housing.

PROJECT TYPE

15 one-bedroom affordable units for individuals with mental disabilities

RESIDENT PROFILE

Chronically mentally ill, very-low income, at or below 50% area median income

RENT STRUCTURE

20% of income

VACANCY RATE

Less than 1%

KEY FEATURES

Recreation area, laundry facility

PROJECT COST

Total project:	$2,600,000
Per unit:	$173,333

CONTACT INFORMATION

Lokahi Pacific Community Development Corporation

Jo-Ann Ridao

Executive Director

1935 Main Street, Suite 204

Wailuku, Hawaii 96793

Tel: (808) 242-5761 x29

Fax: (808) 244-2057

Email: joann@lokahipacific.org

Need

In 1980, Lokahi Pacific developed Hale O Mana'o Lana Hou, a long-term, independent living rental housing project for the chronically mentally ill on Maui. While other agencies provided group home living for the mentally ill, there had been no focus on or creation of independent living projects.

At Hale O Mana'o Lana Hou, tenants are encouraged to view the apartments as their homes, and their residency has no predetermined duration. As a result, the need for these long-term rentals quickly grew, prompting Lokahi Pacific in 2004 to develop a second, 15-unit phase for the project.

The Mental Health Association of Maui — the only mental health advocacy group on the island — provided referrals necessary to validate demand and need for affordable housing for the island's mentally ill. With this help, Lokahi Pacific was able to successfully obtain county funding sources.

Project

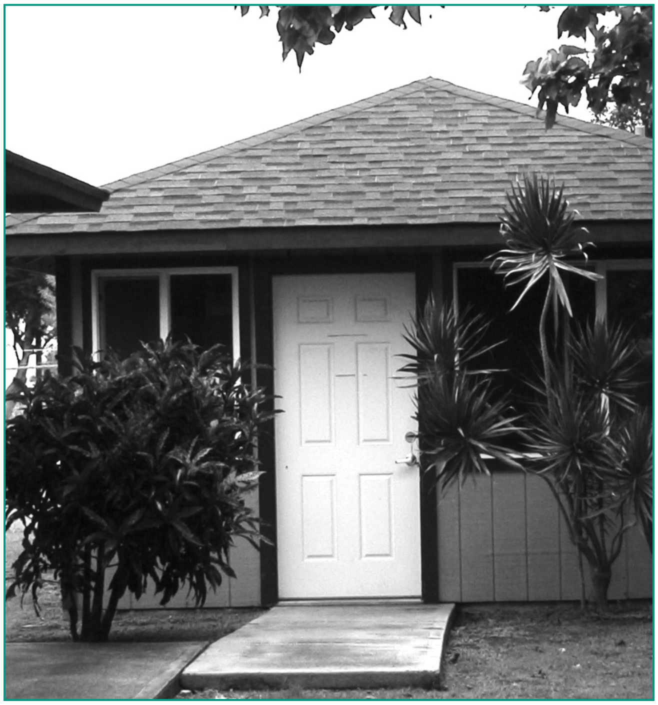
Lokahi Pacific donated three acres of county land for Hale O Mana'o Lana Hou. The first phase consisted of two-bedroom shared living facilities, whereas Phase II focused on independent living with private one-bedroom units. All residents for both phases of Hale O Mana'o Lana Hou are referred by Maui Community Mental Health Center case managers.

Hale O Mana'o Lana Hou, Phase II includes 15 one-bedroom units, approximately 600 square feet each, a recreation area and a laundry room facility.

Hale O Mana'o Lana Hou, Phase II provides long-term residence for very-low income, chronically mentally ill persons who have the ability to live independently. The project allows residents to maintain or improve their independence and productivity in the community. Residents must be able to tend to their own daily needs such as cooking, cleaning and self-care. There is no predetermined duration for residency, and tenants are encouraged to view apartments as their homes and remain long-term or permanently.

Admission policy criteria includes the following:

- ◆ Must be an adult (18 years or older).
- ◆ Must be chronically mentally ill with a condition that can be maintained or improved by more suitable housing conditions, or have a psychiatric history and is at risk of deterioration due to present conditions.
- ◆ Must be motivated to live in the facility,



comply with house rules and policies, make a commitment to move forward in personal growth and refrain from drug and alcohol abuse.

- Must be currently in a case management program.

Residents pay 20% of their income toward rent. Many residents initially lived in Phase I, but have moved into Phase II for more independent living. All residents of both phases are referred by case managers from the Maui Community Mental Health Center.

Finance

Hale O Mana'o Lana Hou, Phase II largely was funded with HUD Section 811 funds, leveraging HOME and CDBG for a project cost total of $2.6 million. HUD HOME Program funds ($278,135) were used for planning, design and on-site improvements; CDBG ($43,288) was leveraged for water line improvements; and HUD Section 811 funds ($2,300,000) paid for construction costs.

PROJECT FINANCING

Total Cost of Project	$2,600,000
Sources of Funds	
Section 811	$2,300,000
HOME	$278,135
CDBG*	$43,288

*Community Development Block Grant

With only three funding sources used to develop the project, financial success is largely attributed to land donation from the county, as the extremely high cost of land is one of Hawaii's most challenging barriers to affordable housing development.

Challenges

With three-acres of county land donated for the project, Lokahi Pacific worked with Maui County to subdivide the site; a process that was slightly expedited with the assistance of the county, (an 18-month process as opposed to an average of two years.)

Section 811, almost the entire funding source of the project, required the subdividing and Lokahi Pacific's ownership of the lot. Failure to do so would have negated the development, and there was some concern about the ability to meet this deadline.

Although the subdividing process was lengthy, some of the most difficult challenges in the project occurred during the design phase and because of restrictions carried by funding sources. During the preliminary phase, engineers identified a need for an on-site retaining wall and a fire hydrant. Because the wall and hydrant were not Section 811-eligible expenses, HOME and CDBG funds were used.

Paperwork to implement 811 funds filled two file drawers, typical of the long and arduous process of funds administration. Lokahi Pacific received assistance and support with the complicated and time consuming administrative paperwork from officials at the HUD office in Oahu.

Regardless of the challenges presented by Section 811 funding, Lokahi Pacific appreciated the advantages of the per-tenant rent subsidy that made the project financially feasible.

Funding and development obstacles made Hale O Mana'o Lana Hou, Phase II a fairly slow-moving proj-

Maui, which provides services to residents, ongoing case management and continues to identify possible residents who meet the project's criteria. Lokahi Pacific officials attribute much of the project's long-term success to its relationship with The Mental Health Association of Maui.

In addition to Lokahi Pacific's relationship with service providers, the long-term success of the project is also rooted in its self-sufficiency. Hale O Mana'o Lana Hou, Phase II maintains full occupancy with minimal turnover and a waiting list of 15 to 20 people.

ect. Construction was completed on July 30, 2004, and the project was fully occupied by August 31.

Success

Lokahi Pacific's close working relationships with the county and federal funders as well as the organization's long-term key personnel proved the key to successful development of Hale O Mana'o Lana Hou, Phase II.

In addition, Lokahi Pacific had a stable and familiar relationship with a reliable architect and general contractor which helped ensure a smooth development process.

Lokahi Pacific recognizes the importance of their development team in the success of a project, as architects and contractors are easily and increasingly lured away from developing government-funded projects with the promise of much higher profits in the second-home out-of-state buyers market. In addition to increased profits, the tedious and time-consuming paperwork often required for government-funded projects has made affordable housing projects even less desirable for private contractors and developers.

Today, with a staff of nine, Lokahi Pacific continues to operate Hale O Mana'o Lana Hou, Phase II, along with six other affordable housing projects in Maui County.

Hale O Mana'o Lana Hou, Phase II does not have programs on site; instead, Lokahi Pacific has built a strong relationship with The Mental Health Association of

Outcomes

Homelessness is a critical and growing issue in Hawaii. Low-income individuals with a disabilities are at great risk of homelessness. Hale O Mana'o Lana Hou, Phase II, fills a critical need by ensuring that 15 very-low income individuals with a chronic mental disabilities have safe, adequate and affordable housing. These residents also have the opportunity to improve their independence and be a part of the community.

If Lokahi Pacific decides to develop another special-needs affordable housing project, Hale O Mana'o Lana Hou, Phase II, will provide an important model. Past experience will no doubt expedite the development process.

Lokahi Pacific is now looking to develop workforce ordinance housing to address the current demand of mid-income households who have recently been shut out of the rapidly rising housing market over the last few years. Lokahi Pacific plans to assist households earning 80% to 160% of median income.

Special thanks to Joann Ridao (former executive director of Lokahi Pacific Community Development Corporation) for providing information and insight on development of Hale O Mana'o Lana Hou, Phase II.

Homelessness

The State of Hawaii's Homeless Point-in-Time Count Report, 2003 indicates there are almost 6,000 homeless persons in Hawaii at any given day during the year. The report also provided an annual estimate of the number of homeless at 14,596, a significant growth since the 3,171 estimate in 1999, when the previous report was conducted. The preliminary draft of the Homeless Point-in-Time Count Report, 2005 provides numbers similar to 2003 (See Table).

By combining the number of individuals who have been homeless four or more times in three years with those who had been continually homeless for two or more years, an estimated 36.6% of Hawaii's homeless population were considered chronically homeless.[30-31]

Extent and cause

The reasons for homelessness are a complex combination of economic, health, and social issues. Homeless individuals cited the main causes for their more recent term of homelessness were difficulty paying rent/eviction (41.0%), unemployment (21.3%), alcohol or drug abuse (16.7%) and family conflict/family violence (11.3%).[32] The following is a brief outline of the most frequently identified causes of homelessness:

Welfare Reform Act of 1996

While substance abuse remains a significant problem among the homeless, one of the primary reasons for the recent rise in homelessness has been attributed to provisions in the federal Welfare Reform Act of 1996 (Act). The Act limits a recipient's federal rental subsidy benefits to a maximum of five years. Each year the benefit is reduced by 20% with the expectation that recipients become less dependent, and through the assistance of training and education programs, gaining additional income. After the fifth year, with the last 20% eliminated, recipients are considered "graduates" of the welfare program—independent and self-sustaining.

The primary goal of the 1996 welfare reform bill was to reduce welfare dependency and child poverty. The focus of the bill was on moving people from welfare to work, giving states wide discretion in establishing their welfare to work programs. Predictably, states with the strongest requirements had the most significant reductions in their welfare rolls.

The purpose of the Act was to reduce welfare dependency and child poverty by fostering education and job training skills over a five-year period to move people from welfare to work and successfully place recipients back into the community. States were given wide discretion in establishing their welfare to work programs; however, in Hawaii, the state's weak reform program with a lack of sanctioning policies and diligence resulted in minimal support, and recipients, in the same financially unstable position as years earlier, were unable to replace the lost subsidy income. Often, their situation resulted in homelessness.

The reduction of welfare rolls determined the success of the state's reform program. From March 1996 to March 1998, welfare case loads dropped an average of 29.7% nationwide. However, due to Hawaii's liberal welfare rules, large welfare compensation packages (welfare recipients in Hawaii received the largest compensation package in the country), and a lack of political commitment and social reform integration, the state ranked in last place nationally with the poorest percentage of change in case load, actually experiencing an increase in case loads by 7.2%, an anomaly.[33] Hawaii's case loads continued to increase during the late 1990s until more stringent sanctioning policies were in place.

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[30]Homeless Point-In-Time Count Report, 2003, February 2004

[31]The federal government's definition of chronic homeless includes homeless individuals with a disabling condition (substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability) who have been homeless either: (1) continuously for one whole year, or (2) four or more times in the past three years.

[32]Homeless Point-In-Time Count Report, 2003, February 2004

[33]Rector and Youssef, State Success in Welfare Reform, September 1998

Maui currently has the highest housing costs in the county. On the island, there are 1,200 homeless individuals on welfare; 80% have a female head of household, and 20 to 30 families, or 60-120 people, are losing their welfare every month.[34] As a result, homeless shelters are at capacity and transitional and affordable housing projects have growing waiting lists. In addition, individuals who have lost their welfare eligibility require a longer period in the shelter to train for a job, thereby contributing to even longer waiting lists.

Real Estate Market

One of the biggest changes in Hawaii's economy over the past year has occurred in the real estate market. From 1999 to 2005, the state experienced a 100% increase in the median home price. While this is positive for the economy and imparts a positive wealth effect to homeowners, for the 40% of the state's household that rent — 43.9% of which are cost burdened[35] — the rise in home value directly influenced the rise in rents with an extremely negative impact for low-income renters.

The nature of Hawaii's current housing market will only make the homeless situation worse. The market is characterized by high prices and low availability, especially in the rental sector. Very low interest rates encouraged high residential sales activity and resulted in a decrease of units as construction was not able to keep pace with demand. Strong demand and reflecting prices have driven rents to record-high levels, and increasing sales of Hawaii homes to out-of-state buyers has further reduced stock available to local residents, shifting production toward the far more lucrative second-home segment.

Cost of Living

Current housing costs are unreachable for many who are employed in Hawaii's low-wage service industry. Unfortunately, the service industry is the second largest employment sector in Hawaii, comprising of over 12% of the state's total workforce.[36] The industry provided employment to 95,337 individuals in 2004.[37] None of the top five occupations, employing the greatest number of people, earned an average annual wage greater than $24,000[38] (see Table).

With a tight housing market, high rents and low wages, obtaining affordable housing is extremely difficult for a large portion of the population ranging from very-low income to moderate-income. While many of today's homeless persons have jobs, they do not earn enough to afford market rate housing, and the diminished supply of affordable housing is consistently unavailable. Last year, at Kahului Harbor about 60% of people who lived at the breakwater had regular jobs but did not earn enough to meet rental housing costs.[39]

With many homeless having jobs but not making enough to find housing, waiting lists for housing at shelters and for affordable rentals have nearly risen to their highest levels, and the notable increase in the homeless population is evident on the beaches of Hawaii.

Lack of Affordable Housing

Decades of minimal or no development of affordable housing has built a large amount of pent-up demand. Between 2005 to 2009, an estimated 44,190 new housing units are projected to be needed statewide to satisfy existing demand and anticipated new demand.[40] Of these projected new units, 21,890 will be needed for households earning less than 80% of median income.[41]

Hundreds of condo and apartment owners have recently sold to capitalize on high prices, and the reduction in available rental inventory has again raised rents, further increasing the homeless population, pricing moderate-income families out

[34]Maui Economic Concerns of the Community, Inc., interview with Charles Ridings, executive director, December 2006

[35]U.S. Census Bureau, American Community Survey, 2005

[36]Bureau of Economic Analysis, Regional Economic Information Systems, 2004

[37]U.S. Census Bureau, Statistics of U.S. Businesses, 2004

[38]Bureau of Labor Statistics, Department of Labor, 2005

[39]Kubota, "Evicted Maui Homeless had Jobs," Star Bulletin, April 1, 2006

[40]Pent-up demand is experienced in the local economy as increasing household size, crowding, and doubling up. The exact impact on homelessness is hard to determine, as Hawaii's cultural system accepts more generous extended family living and sharing space.

[41]Hawaii Housing Policy Study, 2003

of the market, extending waiting lists at shelters and affordable housing projects, and leading to an explosive housing and homelessness crisis.

Regardless of the multiple other reasons for homelessness and the various approaches used to address the situation, the rental housing crisis remains an underlying factor, and resolving the affordable housing problem is the first step to resolving the homeless problem.

Causes of Homelessness

Cause	Honolulu		Maui		Hawaii		Kauai		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Cannot afford rent	123	36.9	114	44.0	62	44.3	30	24.3	329	41.0
Family conflict	30	9.0	25	9.7	17	12.1	19	26.8	91	11.3
Benefits stopped	9	2.7	1	0.4	4	2.9	1	1.4	15	1.9
Alcohol or drug abuse	30	9.0	83	32.0	20	14.3	1	1.4	134	16.7
Unemployment	75	22.5	53	20.5	30	21.4	13	18.3	171	21.3
Stranded visitor	1	0.3	4	1.5	4	2.9	1	1.4	10	1.2
Released from prison	10	3.0	19	7.3	10	7.1	1	1.4	40	5.0
Released from hospital	6	1.8	1	0.4	2	1.4	3	4.2	12	1.5
Released from military	1	0.3	1	0.4	1	0.7			3	0.4
Chose to live here	26	7.8	22	8.5	14	10.0	15	21.1	77	9.6
Other	101	30.3	49	18.9	45	32.1	16	22.5	211	26.3
Don't know, refused	17	5.1	12	4.6	4	2.9	2	2.8	35	4.4
Total	333	100	259	100	140	100	71	100	803	100

Demographics

The impact of the Welfare Reform Act of 1996, and the rise in housing costs, shutting out families earning up to 140% of the median income, has directly affected the dynamics of Hawaii's homeless population. In the early 1990s, the typical homeless person was an unmarried, male Caucasian, who had no family ties on the island. By 2004, homeless people were primarily lifetime or long-term residents of the state. Of the homeless population, more than half (53.5%) were lifetime residents or people who had lived in the state for 20 years or more, and 40.7% had lived on the Islands their entire lives.[42]

Rising home prices caused by investors have strangled the rental market and forced the working homeless to live in local parks and on local beaches.

Of the 13,000 people who were homeless in Hawaii in 2004, approximately 57% were male, and the majority resided on Oahu (65%), followed by the County of Hawaii (16%), Maui (15%), and Kauai (5%).[43] Slightly more than half of all homeless individuals (52%) are members of a homeless family. Of the 1,893 homeless families, about 83% are families with children. Children account for 27% of the total homeless population in Hawaii, and 75% of these children are 12 years of age or younger. The majority of homeless adults are under 50 years old (77%), and about 18% of homeless adults are employed either fulltime or part-time.[44]

[42]Homeless Point-In-Time Count Report, 2003, February 2004

[43]Total percentage of geographical locations equals 101% due to rounding.

[44]Data based on 14,454 self-reports of homeless individuals who sought government-funded services for the homeless from January 2004 to December 2004. The data are weighted to match the estimated number of homeless persons actually served (N=13,000) and to reduce the bias caused by the inclusion of some outreach clients who were not served in 2004. Data reported likely presents an undercount; however, it is the best data currently available

Unsheltered homeless people were younger than the population at large. Only about 3% were over 65. The unsheltered were considerably less educated than the general population with more than two-thirds having no education beyond high school. Unsheltered homeless persons included mostly single, never married persons (58%), with only 14% married. Veterans made up 12.5% of the homeless population.[45]

The *Homeless Service Utilization Report*[46] documented similar demographics of Hawaii's homeless population. From July 1, 2004 to June 30, 2005, the demographic characteristics of individuals who accessed the Shelter Stipend Program[47] services included: 58% males; nearly one-third (32%) of persons served were children ages 17 years and younger; the majority of adults (56%) were either long-term residents (10 years or more) or lifetime residents; over one-quarter (28%) of adults reported being employed either full- or part-time. Seven percent had a college degree or more; and veterans accounted for 12% of all adults who received services.

Poverty

While Hawaii has one of the lowest poverty rates in the nation at 9.8%, the very large population of married-couple families, comprising of 53.4% of the total households in the state, mask the dire need of the smaller household population of a single female, head of household (12.5%). While this population may be small compared to the state's overall population, the financial struggle and poverty rate of these households is overwhelming. Families with a sole female head of household had a poverty rate of 20.9% (national average 13.6%). Unfortunately, with the presence of children under 18 years of age, these households had a higher rate at 28.3%. And the rate rose even higher to 30.6% if the children were under five years of age. Not surprisingly, 89% of Hawaii's homeless single-parent households were headed by females.[48]

Education

Hawaii is the only state in the country that employs a centralized, statewide public education system. The Hawaii State Department of Education oversee all 283 public schools and charter schools, serving an average of 182,798 students annually.[49] As the majority of the homeless population have lived in Hawaii for more than 20 years, or their entire life, homeless resource centers and programs have had the ability to repeatedly measure the low level of educational attainment of long-term residents who attended public schools.

The impact of a lacking education in the locally schooled homeless population, provides valuable insight on their ability to successfully seek employment. Statewide, 53% of the homeless had graduated from high school, 13.5% had eighth grade as the highest level of education completed, and 6.5% were college graduates.[50] The average homeless adult has a fifth grade reading level and a third grade math level, and the state was ranked 44th in the nation with one of the lowest skills in reading proficiency, and 43rd in the nation with poor math proficiency skills.[51]

Ethnicity

The ethnic distribution of the homeless population is comprised of two major groups: Hawaiian/Part-Hawaiian and Caucasian persons. Compared to the overall state population, Hawaiian/Part-Hawaiian and Native Hawaiians were substantially over-represented among the homeless and individuals receiving shelter services (see Table).

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[45]Homeless Point-In-Time Count Report, 2003, February 2004

[46]Homeless Service Utilization Report (2006) is produced by the Center on the Family at the University of Hawai'i in collaboration with the Homeless Programs Branch of the Hawai'i Public Housing Authority (HPHA). Data is collected from individuals experiencing homelessness and receiving services during the 2005 fiscal year.

[47]The Shelter Stipend Program data represent an unduplicated count of individuals (n=5,662) who received homeless services at an emergency or transitional shelter during a one-year period, July 1, 2004 – June 30, 2005.

[48]Center on the Family, University of Hawai'i and Homeless Programs Branch, HPHA, Homeless Service Utilization Report, 2006

[49]Hawaii State Department of Education

[50]Homeless Point-In-Time Count Report, 2003, February 2004

[51]Corporation for Enterprise Development, 2007 Development Report Card for the States, 2006

Homeless Ethnicity State of Hawaii[52]

Ethnic Background	County				
	Honolulu	Maui	Hawaii	Kauai	Total
African American	3.3	4.2	2.1	5.4	3.6
Caucasian	27.9	40.9	30.7	43.2	34.0
Chinese	3.0	1.2	0.7	2.7	2.0
Filipino	5.4	5.8	1.4	8.1	5.1
Hawaiian/Part-Hawaiian	42.0	29.7	56.4	21.6	39.7
Hispanic, Latino	1.5	3.1	0.0	4.1	2.0
Japanese	1.5	0.4	0.7	2.7	1.1
Korean	0.9	0.4	0.0	1.4	0.6
Mixed, not Hawaiian	1.2	2.7	0.7	4.1	1.9
Other	10.5	5.4	6.4	1.4	7.3
Don't know, refused	2.7	6.2	0.7	5.4	3.7

Hidden homeless and at-risk homelessness

The hidden homeless are households in which more than one family shares accommodations. These households include families that are doubled up (two or more families or groups of persons who are related by birth, marriage, or adoption) and those that are sharing accommodations (two or more families or groups of persons who are not related) due to the inability to afford their own homes. Nearly one-fifth of the state's population (228,000 persons) are considered hidden homeless.

At-risk of homelessness are households in which members would lose their housing unit in less than three months if the primary source of income was lost. Also called "precariously housed," these individuals are three monthly paychecks away from homelessness.

Hidden Homeless and At-Risk Homelessness 1992-2003

	1992	1997	2003
Households	375,018	396,008	410,795
Hidden Homeless	17,618	26,929	41,007
At-risk	111,747	71,483	50,122
Adequately Housed	245,653	297,596	319,665
Persons	1,158,613	1,211,640	1,228,025
Hidden Homeless	90,506	144,022	228,449
At-risk	322,755	220,734	155,058
Adequately Housed	745,352	846,886	844,518
Persons per Household	3.09	3.06	2.99
Hidden Homeless	5.14	5.35	5.57
At-risk	2.89	3.10	3.09
Adequately Housed	3.03	2.87	2.64

[52]Data represents survey respondents. Some are individuals and some are members of families or groups of homeless persons.

In the last decade, the number of hidden homeless has more than doubled, while the number of at-risk homeless has declined by more than half (see Table 45). The increase in hidden homeless is the result of the very tight housing market; housing is less affordable, forcing those who can least afford it out of the market. Hawaii's local culture and tolerance of shared accommodations and acceptance of extended family living has mitigated the impact of the housing market by decreasing the unsheltered homeless, but increasing the rate of hidden homelessness.

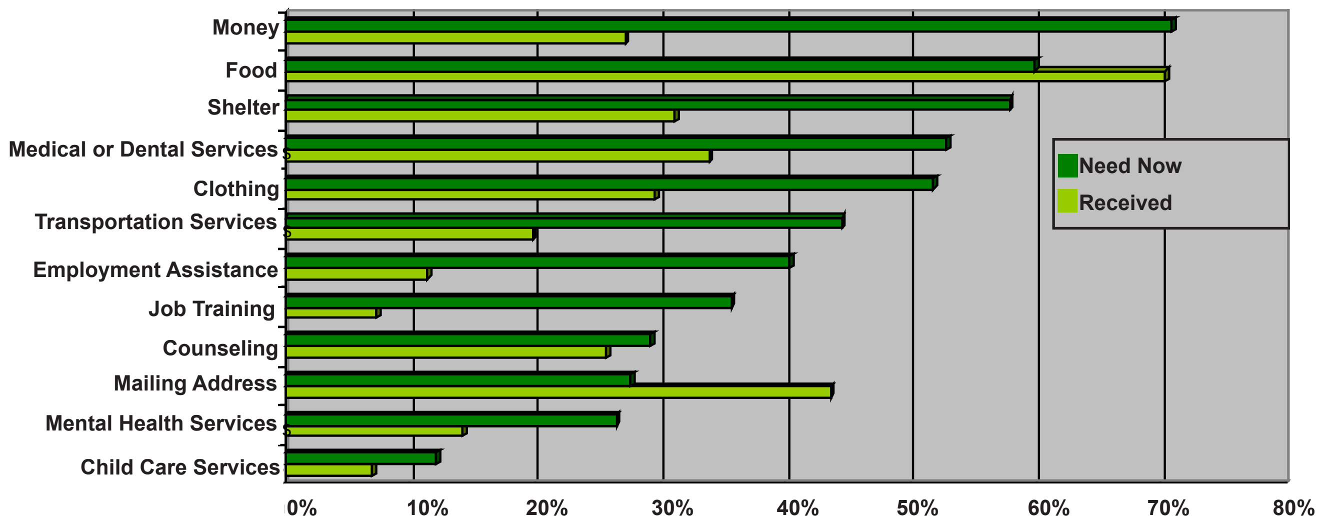
The decrease in the number of persons at-risk demonstrates the increasing economic welfare of Hawaii's households over the years. As the economy improves, households have more disposable income, savings increase, and confidence in long-term continued employment rises.

Hawaii Homeless Needs and Gaps 2005

	Priority Homeless Needs	Estimated Need	Current Inventory	Un-met Need/ Gap	Relative Priority[1]
Individuals					
Beds/Units	Emergency Shelter	967	238	729	H
	Transitional Housing	913	231	679	H
	Permanent Housing	3141	1323	1818	H
	Total	5021	1795	3226	
Estimated Supportive Services Slots	Job Training	1123	644	479	M
	Case Management	3077	1668	1409	M
	Substance Abuse Treatment	3698	171	3417	H
	Mental Health Care	3800	1720	2080	H
	Housing Placement	605	200	405	M
	Life Skills Training	1915	471	1444	H
	Other: Dental Care	300	100	200	M
Estimated Sub-populations	Chronic Substance Abusers	3452	306	3146	H
	Seriously Mentally Ill	2305	1000	1305	M
	Dually – Diagnosed	1567	254	1313	H
	Veterans	366	163	203	M
	Persons with HIV/AIDS	242	80	162	M
	Victims of Domestic Violence	417	183	234	H
	Youth	675	281	394	M
	Other				
Persons in Families with Children					
Beds/Units	Emergency Shelter	1826	330	1496	H
	Transitional Housing	2084	497	1587	M
	Permanent Housing	7405	4246	3159	H
	Total	11315	5073	6242	
Estimated Supportive Services Slots	Job Training	1066	269	797	M
	Case Management	2100	861	1239	M
	Substance Abuse Treatment	6862	388	6474	H
	Mental Health Care	2600	440	2160	H
	Housing Placement	400	152	248	M
	Life Skills Training	1266	489	777	H
	Other: Childcare	2065	1251	814	M
Estimated Sub-populations	Chronic Substance Abusers	1609	210	1399	H
	Seriously Mentally Ill	1450	402	1048	M
	Dually – Diagnosed	1100	225	875	H
	Veterans	142	88	54	M
	Persons with HIV/AIDS	92	66	26	M
	Victims of Domestic Violence	780	398	382	H
	Youth	600	256	344	H
	Other: Immigrant	200	80	120	M

Source: Hawaii Housing Policy Study, 2003

Gap Analysis of Services Received and Required



Source: Homeless Point-In-Time Count Report, 2003, February 2004

Impact

Homelessness severely effects the well-being of individuals and families. Without a permanent address, it is difficult for adults to find employment; 36.9% of Hawaii's homeless indicated that finding work was their primary problem after becoming homeless.[53] Access to medical and dental care was also a major problem for 26.7%, and providing a safe and secure place to nurture their children was a major concern of the homeless families with children (10.6%). Compared to those who have shelter, homeless people have higher rates of acute hospital-based care, physical and mental illnesses, substance abuse, and early deaths.[54] The negative impact of homelessness on children's health is of grave concern, as research has documented that homeless children tend to suffer from poor nutrition, health problems and impairments,[55] inadequate health care, developmental delays, neurological deficits,[56] and severe emotional stress.[57] These conditions have long-term developmental effects that often follow the child into adulthood.

Following are two case studies concerning homeless projects on the Island of Maui.

[53] Homeless Point-In-Time Count Report, 2003, February 2004

[54] Kushel M., Vittinghoff, & Haas, "Factors Associated With the Health Care Utilization of Homeless Persons" (2001)

[55] Better Homes Fund, Homeless Children: American's New Outcasts, 1999

[56] American Academy of Pediatrics, Health Needs of Homeless Children and Families, 1996

[57] Bureau of Justice Statistics, Selected Findings: Violence Between Intimates, 1994

Ka Hale e A Ke Ola Homeless Resource Center

Maui Economic Concerns for the Community, Inc.
Maui County, Hawaii

Ka Hale A Ke Ola Homeless Resource Center

670 Waiale Road

Wailuku, HI 96793

Ka Hale A Ke Ola Homeless Resource Center (KHAO), an emergency and transitional housing facility, provides a refuge from homelessness and a first step toward self-sufficiency. Established in 1993 by Maui Economic Concerns for the Community, Inc. (MECC), KHAO has applied business disciplines to a social service problem, resulting in the delivery of effective programs, financially prudent housing development and an effective model to address homelessness on Maui and throughout the State of Hawaii.

Organization

MECC's mission is to provide services to the homeless and hungry people of Maui. The agency's goal is to provide programs and housing designed to assist homeless persons and low-income residents move from a state of dependency and homelessness to self-sufficiency and independence.

Need

Decades of inadequate affordable housing construction, extreme inequality between low incomes and a high cost of living and a lack of adequate support services for populations most susceptible to homelessness has resulted in homelessness reaching crisis proportions throughout the State of Hawaii. With many contributing factors including a troubled educational system, inadequate remedial education and job skill programs,

PROJECT TYPE

40 studio units, 72 two-bedroom units (transitional shelter), two dorm spaces for 32 men and 10 women (emergency shelter)

RESIDENT PROFILE

Homeless, very-low income, at or below 50% area median income

VACANCY RATE

Less than 1%

KEY FEATURES

Maui Electric Company 2001 Institutional Winner for successfully reducing energy costs by 75% with the installation of solar water heaters to the project's six apartment buildings. The energy savings reduced the electric bills of the 200 very-low income tenants.

KEY SERVICES

Extensive case management, life skills training, substance abuse treatment and program counseling, domestic violence counseling, family development, child care, Head Start Program, housing search assistance, remedial education (GED), medical clinic, job training and placement, intergenerational literacy program, and transportation

PROJECT COST

Total project:	$5,700,000
Per unit:	$50,893

CONTACT INFORMATION

Maui Economic Concerns for the Community, Inc.
John Kreag
Executive Director
670 Waiale Road
Wailuku, Hawaii 96793
Tel: 808-242-7600 x222
Fax: 808-244-0821

and the Welfare Reform Act of 1996, the number of homeless people in Hawaii continues to grow.

The number of people on the waiting list for housing at KHAO has risen dramatically in the past 18 months. About 107 people, including 27 families with 49 children are on the list. While substance abuse remains a problem among 40% of homeless individuals, the primary reason for the recent rise in homelessness is that many who have lost their welfare eligibility require a longer period in the shelter to train for a job. On Maui, people are losing their welfare benefits at a rate of 10 to 20 families a month.

With long waiting lists (KHAO alone has 60-90 on the waiting list and a less than 1% vacancy rate), growing numbers of homeless persons, a perceived rise in the "hidden homeless" to an estimated 228,000 — nearly one-fifth of the state population — and stagnant government funding for programs, the current and future demand for KHAO and other homeless shelters has become evident.

Project

In November 1986, Maui Catholic Charities established a homeless shelter housed in a disintegrated old church building in the middle of a Puunene cane field. With a demonstrated need to expand as the shelter met capacity, and the adoption of the Committee on Homelessness' Ten Point Plan to End Homelessness in 1993 (which included the construction of affordable rentals and a homeless shelter on Maui's west side), General Funds were allocated to develop the Ka Hale A Ke Ola Homeless Resource Center.

PROJECT FINANCING

Total Cost of Project	$5,700,000
Sources of Funds	
County of Maui Grant	$1,770,000
Weinberg Foundation Grant	$1,500,000
CDBG*	
For water irrigation	$170,000
For solar water heaters	$91,000

*Community Development Block Grant

In March 1993, Maui Catholic Charities opened the doors to Ka Hale A Ke Ola (KHAO) Homeless Resource Center, a state-of-the-art facility in Wailuku and the new location for the old homeless shelter. KHAO established its independence and a new agency, Maui Economic Concerns of the Community, Inc. (MECC) took over management.

KHAO, located on a county leased lot, is comprised of six buildings, including 40 studio units (430 square feet), 72 two-bedroom units (650 square feet) for transitional shelter and two separate dorm spaces to accommodate 32 men and 10 women for emergency shelter. On average, an estimated 900 to 1,100 individuals check in to the KHAO Resource Center every year.

KHAO provides emergency shelter for a maximum of six weeks and a transition program for up to two years. In addition, many programs are offered that address the wide range of causes for homelessness.

In contrast to the old Puunene shelter, KHAO took a new approach and applied business disciplines to a social service problem by implementing a zero tolerance policy for substance abuse and violence. Clients must attend mandatory classes to learn job skills, life skills and if appropriate, substance abuse treatment/counseling.

Those who are unable to follow shelter rules are not allowed to stay. While eviction is never easy, staff and residents of Ka Hale A Ke Ola have not relaxed the stringent rules over the years. Maintaining the strict, disciplined environment has resulted in consistency and success of programs and services.

The business approach of KHAO extends into the philosophy of the center's operations. Residents are required to pay for room, board and program fees. The investment allows residents to contribute to their recovery and gain self-worth, responsibility and guidance into their successful placement in the community. Program fees start at $250 per month for single units and $350 for two-bedroom units plus utilities. KHAO also places 10% of the program fees from each client into a fund that can be accessed once they leave the center.

Emergency clients also pay for their stay at the shelter. The clients pay $5 a night as a deposit, and if they leave the unit in good condition and enter the transitional program, a portion of their deposit rolls over toward their first month's program fees. The deposit resulted in a dramatic decrease in damages to the living units.

Finance

KHAO cost $5.7 million to construct. Similar to many other affordable housing projects, this homeless project's affordability was largely due to MECC's ability to lease the land from the county.

The State of Hawaii provided the greatest amount of money to develop the project with $2.18 million in grants. KHAO also received grant funding from County of Maui and the Harry & Jeanette Weinberg Foundation. CDBG funds were used for the solar hot water heaters and for a water well for irrigation.

Challenges

One of the greatest challenges MECC sees in developing homeless and affordable housing projects is the layering of five to 10 funding sources that is now so often required for housing projects, while still maintaining a low or no debt service.

The cost of land in Hawaii alone can make a project unaffordable, and the rising cost of construction is a constant challenge in developing affordable housing. MECC has had ground lease terms with the county and offsets its construction costs by performing labor in-house and purchasing materials in bulk.

While MECC provides a continuum of housing services — from emergency shelter to transitional rental units to permanent low-cost housing for individuals — a significant population of the homeless remain unable to take advantage of the center's opportunities for reasons that include mental illness or disability. As mental disabilities and emotional barriers can prevent an individual from responding to the strict disciplines of KHAO's programs, it is clear that resource centers alone cannot resolve the homeless problem, and other social services gaps remain to be fully addressed.

Success

Throughout the years and through the successful development of its projects, MECC has established a solid and trusting relationship with the county. MECC works closely with the county in the funding and development of their projects. Both the county and MECC have partnered to bring forth each of their strengths. The county provides MECC with an internal person, who facilitates and expedites the permitting process. The assistance from the county has eliminated the administrative and time consuming frustrations of the lengthy permitting process, which can often delay construction. And as a result, the county and the community receive the benefits of the homeless resource centers and shelters that MECC has constructed on time or ahead of schedule.

While the county plays a valuable role in ensuring the timeliness of MECC's projects, the development and construction phases that the organization maintains and

oversees have been the strength of the agency's ability to deliver each project on time and within the budget. It is through this consistency and dependability that MECC has been able to establish such a unique and reliable relationship with the county.

MECC's successful programs are due to the organization's ability to administer programs on a consistent basis. Establishing clear guidelines and staying with them has ensured the stability and success of MECC's programs as well as their construction development. MECC consistently stays away from subsidies and keeps debt service as low as possible to enable the success of developments from construction to long-term operation and maintenance.

The success that MECC has demonstrated in developing and maintaining its projects and its unique business approach can be traced to the former executive director, Charles Ridings. While most executive directors are social service trained, Ridings, a businessman with a finance background, was brought on board in 1991 to lead Maui Catholic Charities (the original organization that established KHAO). Ridings' experience in mergers and acquisitions, accounting and budgeting, as well as his demonstrated ability to managing money, has proven to be exceptionally valuable; MECC's projects have consistently stayed under budget and on schedule.

Ridings' business approach to the center reaches beyond development and can be seen daily in the applied business disciplines of zero tolerance for substance abuse or violence; the adherence to the policies and programs; and the philosophy of having emergency and transitional residents financially invest in their recovery from homelessness and substance addiction by paying room, board, and/or deposits.

From construction development to program development, the business approach is evident. And the most obvious influence and application of Ridings' finance background is demonstrated in KHAO's management of its finances, which has been praised as being equal or better than public corporations on the stock market. The resulting success of all aspects of the center from development to operations has made KHAO a prototype and a replicable model for future homeless centers.

Model

The successful development and program outcomes of MECC's two homeless shelters and transitional housing centers, KHAO and Hale Makana O Waiale (located next door to KHAO), has given Maui the recognition of having the state's most progressive system for addressing homelessness. The county's assistance in funding the two major shelters and the centers that provide job training, healthcare, and childcare among other programs needed by the homeless population are indeed the most effective and comprehensive approaches to addressing homelessness and the cause of homelessness. As a result, MECC's Resource Centers and programs are providing models to be replicated on other Islands.

On Oahu, the Hawaii Coalition of Christian Churches (HCCC) is proposing to develop, own, and operate an emergency, transition, and affordable rental housing project consisting of a total of 72 units and two dormitories with 40 beds. The project, which will offer similar social services as KHAO, is almost the exact size of MECC's Resource Centers and is directly modeled after the KHAO shelter and programs. After 13 years and an average 87.5% success rate of KHAO's participants, KHAO has long since proven its resiliency and importance in the community. MECC's executive director is providing HCCC with technical assistance.

While MECC's Resource Centers and programs are providing valuable models for other counties, the sustainability of MECC's affordable projects from development financing to long-term operational budgets is equally as effective and influential. HCCC is proposing a debt-free budget of $14 million, funded by grants from state, federal, and nonprofit organizations. Annual rental income is projected to cover about half of the annual operating budget, and grants and donations are anticipated to balance the budget.

On Maui, MECC continues the replication of its emergency and transitional housing centers. With both of MECC's facilities at capacity and a growing waiting list of about 133 people, an additional homeless shelter and affordable rental project for indigent families is currently being planned for development in south Maui.

Highlights

Ka Hale A Ke Ola Homeless Resource Center was recognized as the MECO (Maui Electric Company, Ltd.)

2001 Institutional Winner for its successful reduction of energy costs with the installation of solar water heating to its six apartment buildings. In an ambitious effort to reduce the electric bills of the 200 very-low income tenants, the retrofit project turned to solar. The project uses

a unique storage tank designed by Sun King. The roof mounted tanks eliminate the need for pumps and auxiliary power, substantially cutting the cost of the system. With a 3.5 year simple payback on the cost of the solar system, it provides hot water to 72 apartments in six buildings and provides an annual savings of $25,000.

KHAO and MECO collaborated and received $261,000 from the Maui County Community Development Block Grant (CDBG) to pay for the solar system. In addition, MECO offered a $27,032 rebate to assist in the purchase and provided design assistance. As part of KHAO's program to prepare homeless residents to move back into the community, residents pay their own electricity bill. However, with the installation of the solar system, KHAO has an energy reduction of approximately 40%; 75% of the solar savings go to the residents.

Programs

To successfully provide quality services and programs, MECC ensures that they are not duplicating services and not operating programs that are not within their expertise. Services are staffed and conducted by an experienced outside agency, and MECC houses the KHAO programs for consolidation and convenience. By using existing services in the community and not developing new programs, MECC ensures services are not duplicated and are high-quality by using outside agencies that focus on a specific program as their expertise.

Over the last 15 years, programs have evolved from basic courses through the state Department of Education to a certified online program, NovaNET, developed by the University of Illinois. Programs are constantly monitored, upgraded, and revised to meet the needs of the participants, employ new programs and resources, and address the changing population of homelessness.

Examples of the partnerships MECC has developed with outside organizations to conduct and deliver onsite services include the following:

Head Start Program - Maui Economic Opportunity (MEO), Inc. operates a Head Start pre-school classroom at Ka Hale A Ke Ola. MEO Head Start's mission is to promote growth and change by empowering economically challenges, high-risk, and/or special needs preschool children and their families to succeed.

Medical Clinic - In 1993, the Community Clinic of Maui (CCM) was developed in response to the lack of accessible and appropriate health services for the poor, uninsured, and homeless. CMM staff members provide comprehensive health services from three locations including the main site in Kahului, the Wailuku site at the Ka Hale A Ke Ola Homeless Resource Center, and the West Side site at the Lahaina Comprehensive Health Center.

Remedial education - In 2000, due to the low level of education that the majority of homeless people have, MECC implemented NovaNET, an e-learning system that links educators with comprehensive standard-based online courseware for middle school, high school, and adult learners. The program was specifically adapted to address the homeless population on Maui through KHAO. The program successfully reconnects dropouts with productive educational and job training programs.

Laundry services: Even services such as laundry are not operated by MECC. An outside company owns and operates the coin-operated washing machines and dryers. KHAO pays the utilities and receives half of the money from the machines; at about $10,000 per year, the proceeds from the machines help pay operating expenses.

Outcomes

The KHAO Homeless Resource Center and affordable rental units serve 1,000 people per day, approximately one percent of Maui's population.

KHAO is currently providing shelter to 262 people, including 105 children. From July 1, 2005 through June 30, 2006, KHAO provided emergency shelter and transitional housing to a total of 939 very-low income, formerly homeless individuals, including 153 families, and provided referral services to a total of 1,242 individuals.

Reflecting the state's over-represented ethnic composition of the homeless, the two largest ethnic groups KHAO served were Hawaiian/Pacific Islander, (62.5%), and Caucasian (25.5%).

During the 12 months ending June 30, 2005, KHAO provided 104,650 resident nights of shelter. This is an increase from KHAO's historical annual average of approximately 84,000 resident nights of shelter. Annually, KHAO provides housing, health care, job training, and education opportunities for approximately 900 emergency and 420 transitional residents.

MECC successfully placed 85% of participants with a substance abuse background into the community, and 90% of participants without a substance abuse background into the community. KHAO and the affordable rentals of Hale Makana O Waiale next door provide housing to more than 1,200 families each year.

Special thanks to Charles Ridings (former executive director of Maui Economic Concerns for the Community, Inc.) for providing invaluable information and insight on the project development of Ka Hale A Ke Ola Homeless Resource Center.

Na Hale O Wainee Resource Center

Maui Economic Concerns for the Community, Inc.

Maui County, Hawaii

Na Hale O Wainee Resource Center

15 Ipu ʻAumakua Land

Lahaina, Hawaii 96761

Na Hale O Wainee Resource Center (West Maui Resource Center) provides emergency and transitional housing for the County of Maui. Developed and operated by Maui Economic Concerns for the Community, Inc. (MECC), the West Maui Resource Center was built in 2004 and provides shelter to 320 people per day.

Organization

MECC's mission is to provide services to the homeless and hungry people of Maui. The agency's goal is to provide programs and housing designed to assist homeless persons and low-income residents move from a state of dependency and homelessness to self-sufficiency and independence.

Need

Since March 1993, Ka Hale A Ke Ola (KHAO) Homeless Resource Center has provided shelter and services to the homeless people of Maui. As the center has been at capacity with a vacancy rate lower than one percent and a growing waitlist of 133 people, the need for another center became evident.

Over the years, MECC has seen the face of homelessness change. Due to the Welfare Reform Act of 1996, on Maui, approximately 20 to 30 families (60 to 120 people) are losing their welfare every month. The impact of the Act, and the rise in housing costs, shutting out families earning up to 140%

PROJECT TYPE

96-unit shelter (48 studio units, 48 two-bedroom units);

30-unit affordable rentals (two-bedroom)

RESIDENT PROFILE

Homeless, very-low income, at or below 50% area median income

VACANCY RATE

Less than one percent

KEY FEATURES

Maui Electric Company 2001 Institutional Winner for successfully reducing energy costs by 75% with the installation of solar water heaters to the project's six apartment buildings. The energy savings reduced the electric bills of the 200 very-low income tenants.

KEY SERVICES

Extensive case management, life skills training, substance abuse treatment and program counseling, domestic violence counseling, family development, child care, Head Start Program, housing search assistance, remedial education (GED), medical clinic, job training and placement, intergenerational literacy program, and transportation

PROJECT COST

Total project:	$9,940,000
Per unit:	$78,889

CONTACT INFORMATION

Maui Economic Concerns for the Community, Inc.

John Kreag

Executive Director

670 Waiale Road

Wailuku, Hawaii 96793

Tel: 808-242-7600 x222

Fax: 808-244-0821

of the median income, has directly affected the dynamics of the homeless population.

In the early 1990s, the typical homeless person on Maui was an unmarried transient Caucasian man who had no family ties on the island. Today, most residents of MECC's resource centers are members of Hawaiian families who have either lived on Maui for 20 or more years or for their entire life.

Ending the century long sugar industry in Maui, the Pioneer Mill Company closed in 1999, and 190 employees lost their jobs. The impact, coupled with the loss of welfare benefits, added to the number of homeless people on west Maui. An absence of any homeless shelters in the area, prompted MECC to pursue the development of a homeless resource center in Lahaina.

Project

Established in February 2004, the West Maui Resource Center is situated on five acres and consists of an emergency and transitional shelter with 48 studios (408 square feet), 48 two-bedrooms (650 square feet), and 30 affordable two-bedroom rentals (753 square feet). The center offers emergency shelter to homeless individuals and their families for a maximum stay of six weeks and a transition program for up to two years.

PROJECT FINANCING

Total Cost of Project	$5,700,000
Sources of Funds	
County of Maui Grant	$1,770,000
Weinberg Foundation Grant	$1,500,000
CDBG*	
For water irrigation	$170,000
For solar water heaters	$91,000

*Community Development Block Grant

very-low income rental units for household at or below 50% median income.

Construction of the West Maui Resource Center commenced in December 2002. The project was implemented through Section 201G-118, Hawaii Revised Statutes (HRS), a fast-track review process that facilitates the development of affordable housing with a number of exemptions from the general excise tax, rezoning requirements, permit and inspection fees, water meter and development fees, and parking requirements.

Similar to KHAO, the West Maui Resource Center applies business disciplines to a social service problem by employing a zero-tolerance policy for drugs, alcohol and violence. The center provides the same programs as KHAO and also promotes the same consistency in their principles, daily operations, and delivery of programs.

The emergency program and transitional project allows residents to improve their lives by enrolling in various programs, including substance abuse counseling, education, job training and parenting classes.

Per state and county law, the maximum length of time an individual can spend at the homeless resource center is two years. Although the average length of stay at the center is 13 to 15 months, it is difficult for people to move from a homeless shelter directly to market rate residential rentals, especially with the current inflation of the housing market and demand. As a result, MECC developed 30-units of affordable rentals at the West Maui Resource Center. A portion of the rent collected from residents is set aside for the client's first month's rent upon leaving the facility.

Similar to MECC's homeless resource shelter prototype, Ka Hale A Ke Ola, clear ground rules are set at the West Maui Resource Center. Clients must be drug and alcohol free, receive training, apply for jobs, and pay for their housing at the Center. This approach ensures the individuals are responsible for their own situation. And as with the KHAO approach, rules are not relaxed, ensuring stability and adherence to programs and policies.

Finance

Developer contributions in the form of land or cash has proven critical to construction of affordable housing projects on Maui, making possible such projects as the West Maui Resource Center.

In the past, County Council imposed affordable or employee housing requirements, as high as 60%, for new development projects as a condition of the site's zoning. However, the exaction currently is 10%, despite the widely understood need for affordable housing, the inadequate amount of housing that has been produced, and the strong real estate market. The inability for the county to demand larger payments is due to the fact that higher exactions didn't work, and projects couldn't absorb the extra cost, resulting in an inability to move forward.

Recognizing that more than 4,000 households on Maui earn less than 50% of median income, and the unprofitable fact that commercial developers will not produce these units, the role of nonprofit organizations in the development of these much-needed units has been critical in addressing Maui's affordable housing crisis.

In 2004, the former Maui County housing director, Alice Lee, implemented a new strategy that employed nonprofit organizations as the vehicle to develop low-income housing. Although there is no enabling legislation to require affordable housing components for a special management area (SMA) permit, Lee successfully sought out housing contributions from applicants requesting these permits. No other county in the state has attempted to extract housing through SMAs. The contributions are requested up front, allowing for the immediate delivery of housing to those most in need.

In 2004, Lee's housing policy raised close to a million dollars a month for nonprofit housing projects from developers. The cash contribution MECC received from the developer Intrawest serves as a successful example of the strategy.

The development of Honua Kai, a 700-unit resort project at North Beach in Kaanapali, resulted in a $1.4 million direct donation to the West Maui Resource Center.

The Canadian-based development firm hired to construct the project, Intrawest Corporation, paid MECC the contribution to fulfill its affordable housing requirement. However, it was the ability of Lee, who persuaded Intrawest to pay the $1.4 million up-front, even before their application was reviesed, that proved crucial to the completion of the center. By providing the contribution up-front, Intrawest was taking a certain risk, as it would not get its money back if the application was rejected.

While Lee's system delivers only a fraction of the total amount needed for these projects, the developer's donations have proven to be very efficient for nonprofits and extremely important as there are no terms, restrictions, long-term administrative compliance, extensive paperwork, time consuming site visits, and no debt or interest accumulated. For the West Maui Resource Center, the flexibility of the contribution proved essential to the development, and the zero debt service ensured the project's long-term affordability.

Due to Lee's strategy, a third MECC homeless resource center for south Maui, which has not yet broken ground, has already received a developer's donation of $98,000 toward solar water heaters and air-conditioning. The South Maui Resource Center will cost about $10 million to develop.

Challenge

The West Maui Resource Center has been MECC's most difficult project to develop. Forty environmental sub-surface test borings on the West Maui Resource Center's five acre site caused the cost of site work development to exceed $1 million more than anticipated. To absorb the site work development expense, two buildings that were paid for by developer's contributions were eliminated. The fact that the eliminated constructions were financed through the developer's contributions, with zero debt service, ensured the financial stability of the project. Due to the unanticipated site costs, MECC developed the Center in two phases.

The developer's cash contribution to the project provided many benefits. In addition to allowing MECC to have the flexibility to delay the construction of two buildings, the developer's cash contribution provided an escrow account that MECC could pull funds down to pay billings and invoices. The result of the immediate access to these funds allowed invoices to be paid in three days.

The extremely short turnaround period provided security and the assurance of a smooth construction process, unlike the much more lengthy process of submitting payment requests or reimbursements to state or federal agencies with a two-week turnaround, sometimes even precipitating the need for a bridge loan.

In February 2004, the first phase was completed, and in January 2005, the final phase was done. Although the use of the same development team, including the architect, consultants, and engineer, provided a faster and smoother construction of the second phase, MECC regrets having to produce the development in separate phases, as this process is a very expensive way to construct and can be disruptive to occupants. MECC generally identifies all of the financing for a project up-front and advises others not to build until the funding is in place.

Success

Despite difficulties on the site work, MECC's construction process remained on target and the agency found methods to reduce construction costs.

MECC produces extremely tight specs; the same specs have been used for both resource centers (and will be used for the south Maui development). As a result, MECC has ensured that no costly change orders are placed; the director has yet to approve a change order.

To offset construction costs at the front end, MECC uses its staff to perform various jobs, including painting, landscaping, and irrigation.

Keeping the work in-house reduces the cost by about one-third. And to address the ever rising cost of construction materials, MECC estimates the total amount needed for each material with the contactor prior to construction, secures the materials in a bulk purchase, and pulls down amounts as needed.

As with so many other affordable housing projects in Hawaii, the key to success is ground lease terms. The West Maui Resource Center was built on five acres obtained from Amfac, Inc, who also owned the Pioneer Mill Company, as part of its affordable housing requirements. The land was donated to the county by Amfac and leased to MECC.

Outcomes

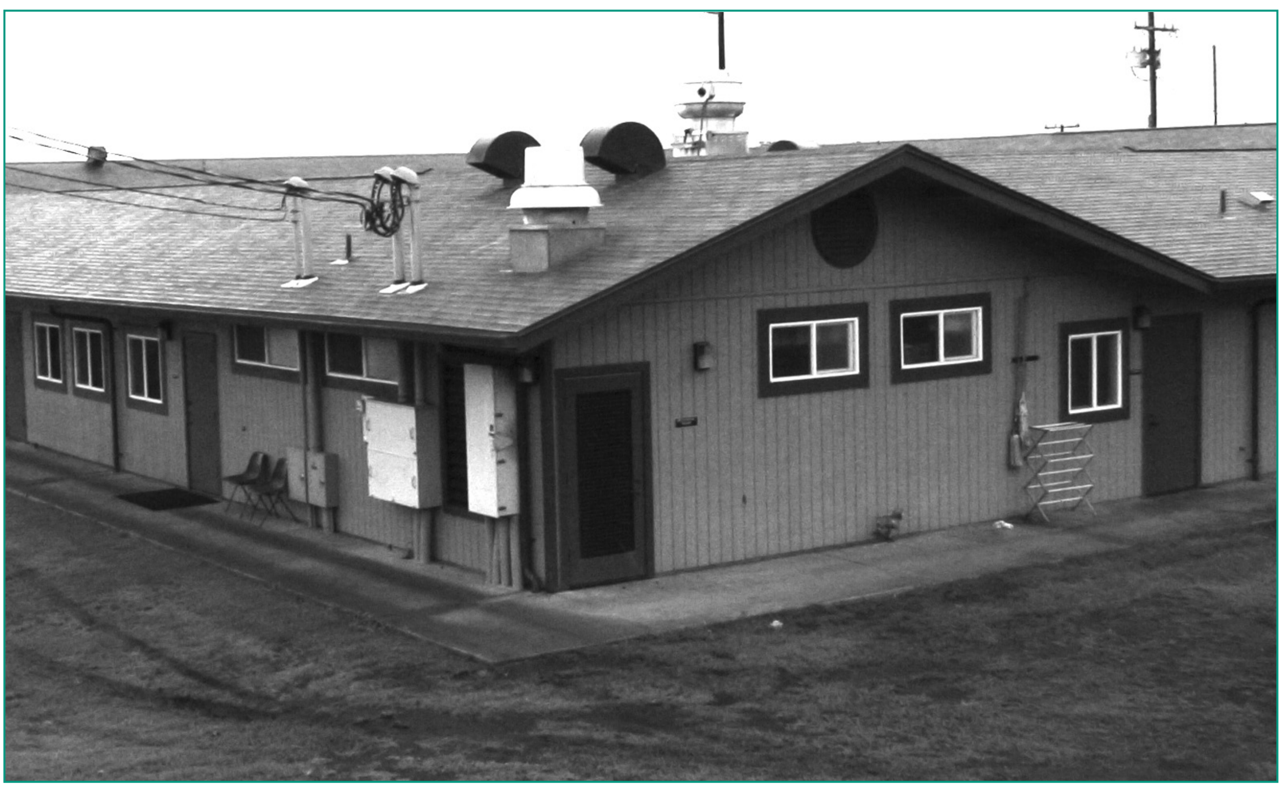
All participants of the West Maui Resource Center are required to go through life skills and education classes, seek employment, and if necessary, complete treatment and counseling for substance abuse.

For recovering substance abusers, the rate of recidivism is 13 to 15%. Forty percent of the center's clients are abusers, and the average length of stay for substance abusers is 18 months (two-year maximum). Non-substance abusers have an eight to 10% rate of recidivism, and the average length of stay is 15 months.

On average, the West Maui Resource Center provides shelter to 320 - 350 people per day.

In fiscal year 2006, the Department of Housing and Human Concerns of Maui County commenced an initiative to build the South Maui Resource Center, and in collaboration with MECC, the Department began work to locate the site and funding sources for the new center.

Special thanks to Charles Ridings (former executive director of Maui Economic Concerns for the Community, Inc.) for providing invaluable information and insight on the project development of Na Hale O Wainee Resource Center.



Resources

U.S. Department of Housing and Urban Development

Assisted Living Conversion Program (ACLP)

General Description: The Program is authorized under Section 202b of the Housing Act of 1959, and administered by HUD's office of Multifamily Housing. The program's purpose is to provide nonprofit owners of eligible developments with a grant to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF) for the frail elderly.

Eligible Uses: Retrofitting to meet accessibility requirements, building codes and health and safety standards, medication and work stations. Retrofitting to add, modify and/or outfit common space, office or related space for ALF staff, central kitchen or dining facility, temporary relocation. Consultant, architectural and legal fees. Vacancy payment not more than 30 days after conversion.

Ineligible Uses: Costs of meals and direct supportive services. Permanent displacement/relocation costs of any resident living in the project at time of application. Addition of dwelling units to existing project. Purchase or lease additional land. Rehabilitation without a direct relation to the conversion of units and common space for assisted living. Reduce number of accessible but non-ALF units. Increase management fee.

Type of Award=Grant

Terms: No repayment required. Project owner must provide a Declaration of Restrictive Covenants to retain affordability for at least 20 years beyond the current term of the mortgage loan or capital advance.

Criteria: Applicants must be nonprofit owners of eligible multifamily assisted housing developments. The facility must be licensed and regulated by the state (or if there is no State law providing such licensing and regulation, by the municipality or other subdivision in which the facility is located). Must provide room, board and continuous protective oversight. Must include a central kitchen or dining facility, lounges, recreation and other multiple areas available to all residents. Must provide supportive services for the residents either directly or through a third party. Residents may contract with the third party service provider directly. Cannot charge additional rent over what is charged to residents in the non-ALF portion of the project.

Contact: Cheryl Fukunaga, HUD Housing Representative 808/522-8185, ext.232

For More Information: *www.hud.gov/offices/hsg/mfh/progdesc/alcp.cfm* (program info.) or *www.hud.gov/offices/adm/grants/fundsavail.cfm* (notice of funding availability)

Other Information: Rating Factors: 1) Capacity of Applicant and Staff 2) Need/Extent of Problem 3) Soundness of Approach 4) Leveraging Resources 5) Comprehensiveness and Service Coordination

Community Development Block Grants (CDBG)

General Description: Since 1974, the Community Development Block Grant has been a flexible source of annual grant funds for local governments nationwide. Governments can use CDBG funds to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons. Or, they may allocate these funds to private or public nonprofit or for-profit organizations to carry out these activities.

Eligible Uses: Acquisition of real property.; Reconstruction or rehabilitation of housing or other properties; Building public facilities or improvements such as streets, sewers, community centers. Employment training and other similar services. Special economic development activities. Public services for youth, seniors, disabled. Crime prevention initiatives. Direct home buyer assistance. Enforcement of building codes. Related planning and administrative costs.

Ineligible Uses: There are "categorically" ineligible uses and generally ineligible uses which may be eligible if carried out by a community based development organization (CBDO) under provisions of 570.204. ***Categorically ineligible***: Buildings used for Government, General Government expenses, Political activities. ***Generally ineligible*** unless carried out by CBDO: Purchase of equipment, Operations and maintenance expense, New housing construction, Income payments. See also "Guide to national objectives and eligible activities."

Type of Award: May be loans, loan guarantees, or grants

Terms: Determined by Administering Agency

Amount Available: FY 2007 City and County of Honolulu $10,036,865; Hawaii County $2,438,491; Kauai County $812,305; Maui County $2,085,716

Criteria: Seventy percent of CDBG funds over a three year period must be spent on activities benefiting low- and moderate income persons. A project is presumed to benefit low- and moderate income persons if 51% of the funds support such persons and the project meets certain criteria such as: the majority of the beneficiaries of a project are low-income, improvements serve an area that is primarily low-income, etc. In order to receive its allocation of funds, the administering agency (in Hawaii, the County), must submit to HUD a Consolidated Plan identifying community development and housing needs for low and moderate income persons and specific short- and long-term objectives to meet these needs.

Contact: Honolulu: Community Services Dept. 909/527-6269; Maui: Dept. Housing and Human Concerns 808/270-7351; Hawaii: Office of Housing and Community Development 808/961-8690, 961-8379; Kauai: Housing Agency 808/241-6444

For More Information: *www.hud.gov:80/progdesc/cdbgent.cfm*

Other Information: This is a Federal funding source through the U.S. Department of Housing and Urban Development. In Hawaii, The City & County of Honolulu receives a direct allocation of CDBG funds. HUD itself administers the CDBG program for Maui, Hawaii and Kauai counties. HUD allocates CDBG funds to these counties using a formula based on population, poverty and overcrowding. The counties then administer their respective programs based on county-wide consolidated plans.

Emergency Shelter Grants (ESG)

General Description: Emergency Shelter Grants are designed to help improve the quality of emergency shelters and transitional housing for the homeless, to make available additional shelters, to meet the costs of operating shelters, to provide essential social services to homeless individuals, and to help prevent homelessness.

Eligible Uses: ESG funds are available for the remodeling or rehabilitation of a building to be used as a new shelter, for operations and maintenance of the shelter, essential supportive services, grant administration and homeless prevention.

Type of Award=Grant

Terms: Funds must be matched dollar for dollar with locally generated revenue (match requirement does not apply to state governments). Match can come from the grantee or recipient agency or organization; other local, state and federal grants; and from "in-kind" contributions.

Amount Available: FY 2007 - City and County of Honolulu $434,154. State $228,310

Criteria: Grantees can be state governments, large cities, urban counties, and U.S. territories. They receive the ESG grants and make funds available to eligible recipients, which can be either local government agencies or private nonprofit organizations. These recipient agencies and organizations actually run the homeless assistance projects and apply for ESG funds to the governmental grantee, and not directly to HUD.

Contact: Honolulu Field Office, 500 Ala Moana Blvd., Suite 3A, Honolulu, HI 96813
Telephone: 808/522-8175, Facsimile: 808/522-8170 and 808/522-8194
TTY: 808/522-8193

For More Information: *www.hud.gov/offices/cpd/homeless/programs/esg/index.cfm*

HOME Investment Partnership Program (HOME)

General Description: The Home Investment Partnerships Program (HOME) was created under Title II of the National Affordable Housing Act of 1990. It serves four general purposes: 1) expand supply of decent and affordable housing for low- and very-low income persons 2) strengthen the ability of state and local governments to provide affordable housing 3) provide financial and technical assistance to local governments and Community Housing Development Organizations (CHDOs) 4) increase and strengthen partnerships among all levels of government and the private sector, both for-profit and nonprofit, in production and operation of affordable housing.

Eligible Uses: Acquisition — improved or unimproved real property (hard costs and related soft costs), New Construction (hard costs and related soft costs), Rehabilitation (hard costs and related soft costs), Site Improvements, Demolition, Relocation of displaced persons, Refinancing, Loan Guarantees, Tenant Based Rental Assistance-TBRA (administered by County), operating expenses of CHDOs, predevelopment expenses related to specific project of a CHDO

Ineligible Uses: Project reserve accounts or operating subsidy, non-federal matching funds, TBRA for the special purpose of the existing Section 8 program, public housing modernization, pre-payment of low-income housing mortgages, assistance to a project previously assisted with HOME unless less than one year after completion or after term of affordability, acquisition of property owned by the county or state unless specifically acquired by them for the HOME project

Type of Award: May be equity investment, interest loan, deferred loan, non-interest loan, grant. County decides

Terms: Determined by Administering Agency. Affordability requirements discussed under "criteria"

Amount Available: FY 2007 — City and County of Honolulu $4,283,699; State $3,000,000

Criteria: Housing must be permanent or transitional. Residents of housing must be low-income. Rents must meet fair market requirements or not exceed 30% of 65% of median income (whichever less). In projects with five or more units, 20% of units must be occupied by very-low income families. Units must remain affordable for a term dependant on the amount of funds invested per unit: <$15,000 – 5 years; $15k to $40k – 10 years; >$40k – 15 years; new construction or acquisition of new construction – 20 years. "HOME" units may be fixed or floating. **For homeownership projects:** purchase prices must not exceed 95% of the median purchase price for area or the limit established under the Single Family Mortgage Limits Section 203(b) of the National Housing Act.

Contact: Honolulu: Community Services Dept. 808/527-6269; Maui: Dept. of Housing and Human Concerns 808/270-7351; Hawaii: Office of Housing and Community Development 808/961-8690, 961-8379; Kauai: Housing Agency 808/241-6444

For More Information: *www.hud.gov/offices/cpd/affordablehousing/programs/home/*

Other Information: This is a federal funding source through the U.S. Department of Housing and Urban Development (HUD). HUD distributes HOME funds to units of local and state government. These governments then administer the program. In Hawaii, the City and County of Honolulu receives a direct allocation and the State receives a direct allocation. The state divides its allocation among the three remaining counties: Hawaii, Maui and Kauai. These counties then administer their own programs with oversight from the state.

Housing Opportunities for Persons with AIDS (HOPWA)

HOPWA provides resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with AIDS or related diseases and their families. The program authorizes entitlement grants and competitively awarded grants for housing assistance and services.

Amount Available: FY 2007 – City and County of Honolulu $419,000, State $160,000

Contact: Cheryl Fukunaga, HUD Housing Representative 808/522-8185, ext.232

For More Information: *www.hud.gov/offices/cpd/aidshousing/programs/*

Supportive Housing for the Elderly (Section 202)

General Description: This program is authorized under the Housing Act of 1959. Section 202 provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for very-low income elderly persons and provides rent subsidies for the projects to help make them affordable. Elderly is defined as 62 years or older. Project Rental Assistance is used to cover the difference between the HUD-approved operating cost per unit and the tenant's rent.

Eligible Uses: New construction, rehabilitation, acquisition of housing with or without rehabilitation, site improvement, demolition, relocation, other expenses associated with supportive housing for elderly.

Ineligible Uses: Section 202 funds may not be used for nursing homes, infirmaries, medical facilities, mobile home projects, community centers, headquarters for organizations for the elderly, nonhousekeeping accommodations, or refinancing of sponsor-owned facilities without rehabilitation.

Type of Award: 1. Capital Advance. 2. Project Rental Assistance Contract funds (PRAC) are provided to cover the difference between the HUD-approved operating costs and the amount the residents pay (30% of adjusted income) as well as to provide supportive services to frail elderly residents.

Terms: No interest. No repayment is required as long as the housing remains available for occupancy by very-low income elderly persons for at least 40 years. As a minimum capital investment, the owner must deposit in a special escrow account 0.5% of the HUD-approved capital advance, up to a maximum of $25,000 for national sponsors or $10,000 for other sponsors.

Criteria: The only eligible applicants are private nonprofit organizations and nonprofit consumer cooperatives. These funds are very competitive. The application comes out once each year as part of HUD's "SuperNOFA", usually late winter or early spring. You may only apply for as much funding as allowed by the development cost limits — approximately $48,000 per one bedroom unit in a non-elevator building. On a project by project basis, limits may be exceeded by up to 160% or 240% in extreme cases.

Contact: Cheryl Fukunaga, HUD Housing Representative 808/522-8185, ext.232

For More Information: *www.hud.gov/offices/hsg/mfh/progdesc/eld202.cfm* (program info.) or *www.hud.gov/offices/adm/grants/fundsavail.cfm* (notice of funding availability) HUD Handbook #4571.3 - *Supportive Housing for the Elderly* 800/685-8470

Other Information: Project Rental Assistance contract payments can be approved up to five years. However, contracts are renewable based on the availability of funds. Capital funds are advanced on a monthly basis during construction.

Supportive Housing for Persons with Disabilities (Section 811)

General Description: HUD provides funding to nonprofit organizations to develop rental housing with the availability of supportive services for very-low income adults with disabilities, and provides rent subsidies for the projects to help make them affordable. The project rental assistance covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent. The program is similar to Supportive Housing for the Elderly (Section 202).

Type of Award=Forgivable interest-free capital advances

Terms: HUD provides interest-free capital advances to nonprofit sponsors to help them finance the development of rental housing such as independent living projects, condominium units and small group homes with the availability of supportive services for persons with disabilities. The capital advance can finance the construction, rehabilitation, or acquisition with or without rehabilitation of supportive housing. The advance does not have to be repaid as long as the housing remains available for very-low income persons with disabilities for at least 40 years.

HUD also provides project rental assistance; this covers the difference between the HUD-approved operating cost of the project and the amount the residents pay — usually 30% of adjusted income. The initial term of the project rental assistance contract is 5 years and can be renewed if funds are available.

Criteria: Each project must have a supportive services plan. The appropriate State or local agency reviews a potential sponsor's application to determine if the plan is well designed to meet the needs of persons with disabilities and must certify to the same. Services may vary with the target population but could include case management, training in independent living skills and assistance in obtaining employment. However, residents cannot be required to accept any supportive service as a condition of occupancy.

In order to live in Section 811 housing, a household which may consist of a single qualified person must be very low-income (within 50% of the median income for the area) and at least one member must be 18 years old or older and have a disability, such as a physical or developmental disability or chronic mental illness.

Contact: Cheryl Fukunaga, HUD Housing Representative 808/522-8185, ext.232

For More Information: *www.hud.gov/offices/hsg/mfh/progdesc/disab811.cfm*

Supportive Housing Program

The Supportive Housing Program is designed to promote the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Additionally, the program includes safe haven projects designed to provide a safe residence for homeless persons with serious mental illness currently residing primarily in public or private places not designed for, or ordinarily used as a regular sleeping accommodation, and who have been unwilling or unable to participate in mental health or substance abuse treatment programs or to receive other supportive services.

Eligible applicants are states, units of local government, other governmental entities such as PHAs, and private nonprofit organizations.

Contact: Honolulu **Field Office**, 500 Ala Moana Blvd., Suite 3A, Honolulu, HI 96813

Telephone: (808) 522-8175, Facsimile: (808) 522-8170 and (808) 522-8194
TTY: (808) 522-8193

For More Information: *www.hud.gov/offices/cpd/homeless/programs/shp/*

Federal Home Loan Bank of Seattle

Affordable Housing Program (AHP)

General Description: Financial institution customers of FHLB Seattle apply for AHP grants on behalf of nonprofit or for-profit housing developers or governments which use the funds to purchase, construct or rehabilitate housing for families or individuals earning up to 80% of the area's annual median income. The Seattle Bank funds the AHP with 10% of its annual profits. If the project is feasible, AHP is often the first funding source for a project.

Eligible Uses: Projects that support the purchase, construction or rehabilitation of owner-occupied or rental housing; Homeownership projects serving households at 80% of median income and below, adjusted for family size. Rental projects serving households at 80% of median income and below, where at least 20% of the units are occupied by and affordable for persons at 50% of median income and below.

Ineligible Uses: Capitalized operating reserves; Processing fees charged by members for providing direct subsidies to the project. Homebuyer counseling costs for homebuyers who do not purchase an AHP-assisted unit or if homebuyer counseling costs were covered by another funding source including the member. Costs associated with non-residential portions of a development project such as support services for tenants (such as day-care and counseling). Refinancing if new affordable units are not created. AHP and the Home$tart Savings Program grants may not be used to benefit the same units.

Type of Award=Grant

Terms: The project must be subject to a legally enforceable retention mechanism that: 1) Incorporates the income eligibility and affordability restrictions committed to in the AHP application for 15 years after project completion for rental projects and five years for owner-occupied projects, and 2) Satisfies the other retention and repayment requirements set forth in the AHP regulations.

Amount Available: At least $3 million will be awarded in the Fall 2007 round. There is a $1.5 million cap on the total grants a single financial institution can apply for in a single round. Maximum amount for any single project is $400,000.

Criteria: Certain minimum and maximum financial feasibility criteria (such as developer fees and per unit development costs) and operation feasibility criteria apply (for example operation expenses, reserves, rent increases, etc.) Project participants must provide explanation if the project falls outside of minimum or maximum criteria. The subsidy must be likely to be drawn down by the project or be used to procure other funds for the project within 12 months of AHP approval.

AHP grants are awarded twice annually. The fall application deadline is generally in September.

Contact: Seattle Bank Community Investment Department at 800/973-6223

For More Information: *www.fhlbsea.com/CommunityInvestment/OurPrograms/AHP/Default.aspx*

2007 Scoring Criteria: *www.fhlbsea.com/CommunityInvestment/OurPrograms/AHP/AHPScoring2007.aspx*

U.S. Department of Agriculture Rural Development

Housing Preservation Grants (HPG)

General Description: The HPG program provides grants to homeowners, owners of rental property, co-operatives or sponsoring organizations to repair or rehabilitate low- and very-low income housing. Funds are awarded by the dtate firector through a competitive process and are made available in areas where there is a concentration of need.

Eligible Uses: The objective of the HPG program is to repair or rehabilitate individual housing, rental properties, or co-ops owned and/or occupied by very-low and low-income rural persons.

Type of Award=Grant

Terms: Funds must be used within a two-year period and are intended to be combined with other programs or funds used as loans, grants or subsidies for recipient households based on a plan contained in the sponsor's application.

Criteria: Those assisted must own very-low or low-income housing, either as homeowners, landlords, or members of a cooperative. Very low income is defined as below 50% of the area median income (AMI); low income is between 50 and 80% of AMI. Eligible sponsors include state agencies, units of local government, Native American tribes, and nonprofit organizations. This program is for rural communities with populations under 20,000.

Contact: USDA Rural Development State Office Room 311, Federal Building, 154 Waianuenue Ave., Hilo, HI 96720 Phone, 808/933-8380 Fax 808/933-8327 TDD 808/933-8321

For More Information: *www.rurdev.usda.gov/rhs/mfh/brief_mfh_hpg.htm*

Rural Rental Housing Guarantee – Section 538

General Description: This program is designed to increase the availability of affordable multifamily housing through partnerships between USDA Rural Development and major lending sources such as state and local finance agencies and bond issuers. Qualified lenders will originate, underwrite and close loans for multifamily housing projects, which will be guaranteed under this program.

Eligible Uses: Loan guarantees are provided for the construction, acquisition, or rehabilitation of rural multi-family housing. The guarantee may also cover loans for the purchase or improvement of land, including on site and off site improvements, or the development of related facilities such as recreational areas.

Type of Award: The program does not provide any direct funding — it provides a guarantee (up to 90%) to a conventional lender, thus encouraging loans to affordable multi-family housing projects.

Terms: Up to 40 years fully amortized. Must be fixed rate and negotiated between lender and borrower within the maximum established under the NOFA. Rate based on Treasury Bond rate on the day prior to date of loan closing.

Criteria: Applicants can be individuals, a non-profit corporation, a local government or a for-profit corporation. Eligible lenders are those currently approved and considered eligible for the NHMA, FHLMC, FHLB members, HUD approved or state housing finance agencies. Other lenders can enter into a correspondent bank relationship with approved lenders in order to participate. Occupants of the affordable housing must be low-, very-low, or moderate income, elderly, or disabled with less than 115% of median income. Maximum rent allowed is 30% of 100% of median income adjusted for family size. Income calculation: do not take into account certain deductions allowed in the 515 program.

Contact: Rural Development area office: Oahu 808/483-8600; Hilo 808/933-8330; Maui 808/244-3100; Molokai 808/553-5321; Kona 808/322-9351; Kauai 808/245-9014

For More Information: www.rurdev.usda.gov/rhs/mfh/brief_mfh_grrh.htm

Other Information: NOFA responses will be reviewed for completeness and eligibility. If complete and eligible the lender will be asked to submit a full application and a required application fee of $2,500 to the local Rural Development State office. Applications are accepted on a continual basis for as long as there are funds. Interest credit may be provided on loans up to $1.5 million until the interest credit funds are exhausted. Interest credits will be given to projects that show the most need and which target the most priorities. The NOFA describes priorities and scoring criteria.

Rural Rental Housing Loans (Section 515)

General Description: Loans made by USDA Rural Development in support of the development of units for low- and moderate income persons and persons aged 62 or older, disabled or handicapped. Directed toward rural communities. Funded projects will also typically receive rental assistance.

Eligible Uses: Construction and development (build, purchase or repair) of multifamily rental housing for very-low, low- and moderate income persons, the elderly and persons with disabilities. May also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems.

Type of Award: Loan up to 100% of development cost or appraised value (if nonprofit)

Terms: As low as 1% depending on tenants' certified income. Maximum 30-year mortgage with a 50-year amortization. No prepayment allowed.

Criteria: Loans can be made to individuals, trusts, associations, partnerships, limited partnerships, state or local public agencies, consumer cooperatives, profit and nonprofit corporations. For-profit borrowers must agree to operate on a limited-profit basis. Housing must be modest and rent must be within limits that eligible occupants can afford to pay.

Applications are rated competitively based on certain criteria: 1) Presence and extent of leveraged assistance 2) Units developed in a colonia, tribal land, EZ, EC or REAP community, or in a place identified in the State Consolidated Plan as a high need community for multifamily housing 3) Includes donated land 4) Includes State resources in an amount equal to at least 5% of the total development cost

Contact: Rural Development area office - Oahu 808/483-8600; Hilo 808/933-8330; Maui 808/244-3100; Molokai 808/553-5321; Kona 808/322-9351; Kauai 808/245-9014

For More Information: *www.rurdev.usda.gov/rhs/mfh/brief_mfh_rrh.htm*

Other Information: NOFA announced annually in the Federal Register, generally around November. The NOFA lists the targeted communities that can request funds. Applications are then rated competitively based on certain criteria: 1) Presence and extent of leveraged assistance 2) Units developed in a colonia, tribal land, EZ, EC or REAP community, or in a place identified in the State Consolidated Plan as a high need community for multifamily housing 3) Includes donated land 4) Includes state resources in an amount equal to at least 5% of the total development cost

Self-Help Housing Direct Loan (Section 502)

General Description: The Section 502 Mutual Self-Help Housing Loan program (a variation on the regular Section 502 Homeownership program) is used primarily to help very-low (<50% AMI) and low-income (<80% AMI) households construct their own homes while participating in an approved Mutual Self-Help Housing program with oversight and instruction from a sponsoring organization (Grantee). The program is targeted to families who are unable to buy decent, safe and sanitary housing through conventional methods.

Eligible Uses: Acquisition, permits, fees, building materials and some contracted labor as determined by the Grantee. Property must be located in an eligible area.

Terms: Loans are typically amortized at 33 years but can increase to 38 years under certain circumstances. Interest rates can be subsidized to as low as 1% depending on applicant income. The interest subsidy will vary throughout the life of the loan as the income of the borrower varies.

Contact: Rural Development area office: Oahu 808/483-8600; Hilo 808/933-8330; Maui 808/244-3100; Molokai 808/553-5321; Kona 808/322-9351; Kauai 808/245-9014

For More Information: *www.rurdev.usda.gov/rhs/sfh/brief_rhdirect.htm*

Mutual Self-Help Housing Technical Assistance Grant (Section 523)

General Description: Section 523 Mutual Self-Help Housing grants are made to nonprofit housing developers, housing authorities, government agencies, cities and tribes to provide administrative funding to run a Self-Help housing program. Through the program, income and credit qualified families form building groups who work together building each other's homes with technical assistance from the Section 523 grantee.

Eligible uses: Staff salaries, office rent and utilities, supplies, etc.

Ineligible Uses: Costs directly associated with land acquisition or construction

Type of Award: Two-year grant

Terms: Grantee must meet production goals and program requirements. Draws are made monthly either in advance or on a reimbursement basis.

Criteria: Homes must be constructed in an Rural Development eligible area. 40% of participating families must be below 50% AMI with the remainder below 80% AMI. Families must complete 65% of the required labor tasks. Grant amounts are roughly based on a formula and ultimately negotiated with Rural Development based on estimated costs.

Contact: Rural Community Assistance Corporation Honolulu Office 808/531-5716

For More Information: *www.rcac.org/doc.aspx?95*

State of Hawaii

Hula Mae Multi-Family Revenue Bond Program

General Description: Hawaii Housing Finance and Development Corporation (HHFDC) provides interim and permanent financing for eligible rental housing projects at or below market interest rates through the sale of tax-exempt revenue bonds. Projects can be new construction or rehabilitation of existing rental housing. To better assist the developer, LIHTC can be secured in conjunction with Hula Mae multi-family financing. With the passage of Act 185, SLH 2004, the HHFDC is authorized to float up to $300 million in tax-exempt revenue bonds.

Terms: Below-market interest rates on interim and permanent financing with a minimum 15 year compliance period or the term of the bond, whichever is greater.

Criteria: Twenty percent of the units must be set aside for families below 50% AMI - OR – 40% of the units must be set aside for families below 60% AMI according to HUD income guidelines. Owner must demonstrate experience and financial capacity to carry out the project as planned and enter into a Regulatory Agreement with HHFDC providing for the regulation of the rents, project operations and disposition of the assets of the project.

Contact: Contact HHFDC at 808/587-0567

For More Information: *www.hawaii.gov/dbedt/hhfdc/developers/HMMF_html*

Rental Assistance Revolving Fund

General Description: The Rental Assistance Revolving Fund provides below market-rate construction loans for affordable rental projects with program rules similar to the Rental Housing Trust Fund's interim construction financing.

Eligible Uses: Construction financing for affordable rental projects with preference given to private nonprofit and for-profit entities.

Terms: Interest rates to be set by HHFDC. Applications are accepted on a continual basis.

Criteria: At least 20% of the units must be maintained for families below 80% AMI as determined by HUD. Use of the funds is subject to a regulatory agreement and contract with HHFDC.

Contact: Contact HHFDC at 808/587-0567

For More Information: *www.hawaii.gov/dbedt/hhfdc/developers/RARF_html*

Rental Housing Trust Fund (RHTF)

General Description: The RHTF is under the jurisdiction of the Board of the Hawaii Housing Finance and Development Corporation (HHFDC). The Trust Fund was established in the early 1990s through an initial appropriation by the state legislature. The legislature has made a couple of additional appropriations since that time. The Trust Fund also receives approximately $2 - $3 million per year from 25% of the conveyance tax. The purpose of the fund is to provide "equity gap" low-interest loans or grants to qualified owners and developers constructing affordable housing units.

Eligible Uses: Development, pre-development, construction, acquisition, preservation, substantial rehabilitation of rental housing, planning, design, down payment, equity financing, purchase/sale options and other housing development services or activities approved by the commission. In addition, the RHTF program offers capacity building grants to eligible nonprofit organizations. (Note: at the time of publication, the pre-development grant and capacity building grant programs are temporarily suspended.)

Ineligible Uses: Activities not specified above as determined by RHTF

Type of Award: Low-interest loans or grants determined by project need, RHTF staff, advisory commission and Board.

Terms: Determined by project need, RHTF staff, advisory commission and Board

Amount Available: Depends on legislative allocations. The fund receives approximately $2 to $3 million per year from the conveyance tax.

Criteria: At least 50% of the available units must be set aside for persons and families with incomes at or below 80% of the median family income of which at least 5% of the available units are for persons and families with incomes at or below 30% of the median family income; and the remaining units are for persons and families with incomes at or below 100% of the median family income; provided that the administration may establish rules to ensure full occupancy of funded projects. Mixed-income rental projects or units in a mixed-income rental project must be set aside for persons and families with incomes at or below 140% of the median family income.

Contact: Contact HHFDC at 808/587-0567 for an application package

For More Information: *www.hawaii.gov/dbedt/hhfdc/developers/RHTF_html*

Other Information: Applications are judged and funded based on a point system that gives preference to projects meeting the following criteria: 1) Serves the original target group 2) Provides maximum number of units for least amount of subsidy 3) Shows commitment to serve target population over longer period of time 4) Increases the integration of income levels of the immediate community area 5) Is proximate to other needs of target population (e.g., shopping, employment) 6) Favorable past performance with fund monies 7) Nonprofit applicant

Low Income Housing Tax Credit Program (LIHTC)

General Description: The Low Income Housing Tax Credit program is a financing tool for private developers and nonprofit entities to construct or rehabilitate affordable rental units. Tax credits may be used to obtain a dollar-for-dollar reduction in income tax liability for 10 years OR a nonprofit developer may sell the credits to raise equity for the project. Nonprofit developers who sell the credits do so at a "discount" from the actual value of the credit. This is because the "buyer" (also known as investor) does not receive the benefit all at once, but rather over a period of 10 years. Funds are awarded and administered by HHFDC.

Eligible Uses: New construction, Rehabilitation, or Acquisition of federally subsidized rental housing projects (This use receives fewer credits than new construction and rehabilitation.)

Ineligible Uses: Non-rental projects, also see section 42 of Internal Revenue Code (IRC)

Type of Award: For-profit - dollar-for dollar tax credit applied toward annual tax liability; Non-profit - equity raised from sale of credits.

Terms: Tax credit is received over a 10 year period. Though the award for a nonprofit group is in the form of equity, it will be subject to a number of regulations about who can live in its project and how the project must be managed.

Amount Available: Depends on annual allocation. Ten percent is set-aside for nonprofit organizations. There are two types of federal tax credits - 9% competitive tax credits, which are applied against the State of Hawaii's annual LIHTC allocation and 4% non-competitive, which are awarded with tax-exempt bond financing. A project may receive credit equal to 90% of its depreciable basis or 30% of its depreciable basis, respectively for federal and state credits. Depreciable basis is approximately cost minus land and any other non-depreciable costs.

Criteria: Twenty percent of the project's units must be rented to households with incomes of 50% or less of area median income; Or at least 40% of the units must be rented to households with incomes of 60% or less of area median income. Low-income rents are restricted as established by HUD based on area median income. The property must comply with affordability requirements for at least 15 years and as long as 30 or more. Incomes must be re-certified each year. Awards are based on a competitive process with an annual application deadline typically in January or February.

Contact: HHFDC at 808/587-0567 for an application package

For More Information: *www.hawaii.gov/dbedt/hhfdc/developers/LIHTC_html*, or see Section 42 of the Internal Revenue Code (IRC);

Other Information: HHFDC awards both federal and state credits. One potential investor in low income housing tax credits is the Hawaii Investors for Affordable Housing Inc. HIAHI actively seeks to invest in low income housing tax credit projects, 808/532-3110.

Loans

Hawaii Community Reinvestment Corporation (HCRC)

- *Permanent Loans:* traditional permanent mortgage loans at below market interest rates for affordable rental housing projects.
- *Hawaii Investors for Affordable Housing, Inc. (HIAHI) Tax Credit Equity Funds:* Utilizes LIHTC program to aid in the development of affordable rental housing.
- *Hawaii Equity Loan Program (HELP):* provides additional assistance to bridge the funding gap by providing subordinated soft-second mortgages for projects assisted by the LIHTC program and administered by HIAHI.

Rural Community Assistance Corporation (RCAC)

- *Housing Loans*: Short-term financing for single and multifamily affordable housing and long-term financing for affordable multifamily units.
- *Environmental Infrastructure Loans*: Loan products for financing water and waste facility projects for rural communities. Funding for feasibility and predevelopment costs prior to state and federal program funding.
- *Community Facility Loans*: Short-term loans for acquisition and predevelopment, interim construction costs, and long-term permanent financing to create and/or improve essential community facilities in the rural West.

Online National Housing Resources

Alexander and Edwards Publishing, Inc.: Affordable Housing Finance magazine's website offers articles, a job bank, tax credit and housing news, and other resources. *www.housingfinance.com*

Catalog of Federal Domestic Assistance: Select desired criteria to sort and search federal programs and receive a link to the programs. *www.cfda.gov/*

Community Connections: Clearinghouse for the Office of Community Planning and Development (CPD) at HUD. *www.comcon.org*

Design Advisor: A resource toolkit from HUD focused on design and affordable housing. It includes information on green building. *www.designadvisor.org*

Enterprise Foundation: The Enterprise Resource Database organizes a wealth of affordable housing information by topics. *www.enterprisefoundation.org/resources/index.asp*

The Enterprise Social Investment Corporation: a subsidiary of *Enterprise Foundation*, this site offers Tax Credit 101 *www.enterprisefoundation.org/esic/taxcredit101/index.asp*

Federal Housing Administration (FHA): For information about FHA mortgage insurance programs. *www.hud.gov/offices/hsg/mfh/progdesc/progdesc.cfm*

Financial Services Committee of the U.S. House of Representatives: Oversees federal housing issues. Site operated by the Democratic and Independent members of the Financial Services Committee: *www.house.gov/banking_democrats/*

Site operated by the majority members from the Republican Party: *http://financialservices.house.gov*

GPO Access: Government Printing Office site provides access and connection to federal codes and regulations, the Federal Register, federal legislation and judicial resources. *www.gpoaccess.gov*

Housing Assistance Council (HAC): Insightful information about rural news and programs, and descriptions of HAC's programs, events and products. *www.ruralhome.org*

Housingonline: Sponsored by the National Housing and Rehabilitation Association, a national membership organization comprised of participants in affordable multifamily housing. Invaluable source of information on an array of housing issues. *www.housingonline.com*

HUDCLIPS: HUD "client information and policy system" site links to NOFAs, housing notices, forms, codes, handbooks and guides, fair market rents, public comment opportunities and more. *www.hudclips.org/cgi/index_cliphome.cgi*

Knowledgeplex: Sponsored by the Fannie Mae Foundation and considered one of the most useful websites for people working in affordable housing, the site provides a wealth of information on numerous topics and provides links to access a variety of other housing organizations and resources. *www.knowledgeplex.org*

Local Initiatives Support Corporation (LISC): LISC provides grants, loans, and equity investments to community development corporations (CDCs) for neighborhood redevelopment, some of which is housing. The online resource center includes a section on affordable housing. *www.liscnet.org/ resources/affordable_housing.shtml*

National Association of Home Builders (NAHB): NAHB is a powerful voice for the housing industry for single family, multifamily, market-rate, and affordable housing development. *www.nahb.org/*

National Council of State Housing Agencies (NCSHA): Provides NCSHA's recommended practices for tax credit compliance, as well as information about public housing agency-administered programs and other resources. *www.ncsha.org*

National Housing Conference (NHC): NHC is a nonprofit organization with many corporate, nonprofit, and governmental agency members. The public part of the site includes reports, studies, policy positions, advocacy resources and a specialization-organized list of members with links to their websites. *www.nhc.org*

National Low Income Housing Coalition (NLIHC): NLIHC is "dedicated solely to solving America's affordable housing crisis." Their site offers reports, news, alerts, policy campaigns, and a downloadable 198-page "Advocate's Guide to Housing and Community Development Policy." *www.nlihc.org*

National Multi Housing Council (NMHC): NMHC is comprised of members in both market-rate and affordable multifamily housing. The website provides an extensive number of reports, studies and items such as a unique tracking of multifamily-threatening state legislation, which is available to members only. *www.nmhc.org*

Recapitalization Advisors, Inc.: Specializing in recapitalization and preserving affordable housing, the site offers well-written and thorough articles about the complex and important issues involved in preservation. *www.recapadvisors.com*

Rural Community Assistance Corporation (RCAC): RCAC assists rural communities by providing training, technical assistance and access to resources for housing, environmental and community development. The website provides information on programs, services and publications. *www.rcac.org*

U.S. Census Bureau: Comprehensive decennial and annual demographic, business and population data — used as a standard source for data and measurements. *www.census.gov/*

U.S. Department of Agriculture, Rural Development: Description of housing programs and links to rural housing programs, regulations, news and forms. *www.rurdev.usda.gov.*

U.S. Department of Housing and Urban Development (HUD): Extensive website providing information about and access to HUD offices, programs, initiatives and staff. *www.hud.gov*

Web tools for real estate professionals: Sponsored by the Association of University Real Estate Officials, the site offers links to statistics, rates, organizations, maps, glossaries, providers of professional services and more. *campus.umr.edu/adminfo/aureo.html*

Demographics

Ethnicity

The diverse population of the Hawaiian Islands can be traced through the waves of migrants that outline the state's history. With the arrival of the Polynesians in 700 A.D., then the whalers, the sandalwood merchants, the missionaries, the sugar planters and ranchers, the multi-ethnic traders and laborers, and finally the tourists of today, the strong influence of migration on the state's population still continues, resulting in the most diverse population in the country. Every racial group in the State of Hawaii is a minority (see Table).

Race	Population	% of Total Household Population
Total Household Population		
One race		
White	308,912	24.9
Black or African American	24,239	2.0
American Indian/Alaska Native	3,216	0.3
Asian	520,564	42.0
Asian Indian	2,104	0.2
Chinese	53,346	4.3
Filipino	185,029	14.9
Japanese	200,893	16.2
Korean	26,085	2.1
Vietnamese	8,264	0.7
Other Asian	44,843	3.6
Native Hawaiian and Other Pacific Islander	105,042	8.5
Native Hawaiian	75,305	6.1
Guamanian or Chamorro	2,112	0.2
Samoan	8,979	0.7
Other Pacific Islander	18,646	1.5
Some other race	15,644	1.3
Two or more races	260,541	21.0
White and Black or African American	1,961	0.2

Source: U.S. Census Bureau, American Community Survey, 2005

Population

The resident population[58] of Hawaii, shown in Table 2, which includes active-duty military personnel and their dependents, but excludes visitors, is projected to increase from 1.21 million persons in mid-2000 to 1.63 million in mid-2030; an average growth rate of slightly less than 1.0% per year over the 30 year period. The population of Hawaii in 2005 was 1,275,194 with 1,238,158 people residing in households and 37,036 people living in group quarters.[59]

[58]The resident population is defined as the number of persons whose usual place of residence is in an area, regardless of physical location on the census or estimated date. It includes armed forces stationed or home-ported in an area, but excludes persons of local origin attending school or in military service outside the area.

[59]U.S. Census Bureau, American Community Survey, 2005

Resident and De Facto Population 2000-2030

	Resident Population		De facto Population		
Year	Total	Other Civilian	Total	Visitors present	Residents absent
2000	1,212,670	1,126,821	1,335,156	168,637	46,151
2005	1,275,190	1,192,100	1,406,605	177,223	48,523
2010	1,346,600	1,260,750	1,490,500	194,979	51,079
2015	1,418,650	1,332,800	1,579,400	215,511	53,761
2020	1,489,550	1,403,700	1,663,450	230,269	56,319
2025	1,560,400	1,474,550	1,748,600	247,182	58,982
2030	1,630,450	1,544,600	1,834,200	265,333	61,583

Source: Hawaii Department of Business, Economic Development, and Tourism

Resident and De Facto Population — Average Annual Growth Rate (%)

2000-2005	1.1	1.1	1.0	1.0	1.0
2006-2010	1.1	1.1	1.2	1.9	1.0
2011-2015	1.0	1.1	1.2	1.9	1.0
2016-2020	1.0	1.0	1.0	1.4	0.9
2021-2025	0.9	1.0	1.0	1.4	0.9
2026-2030	0.9	0.9	1.0	1.4	0.9

Source: Hawaii Department of Business, Economic Development, and Tourism

Population projections

Tables 2 and 3 present the projections of resident and de facto population by county. Maui, Kauai and Hawaii, are projected to grow more rapidly than Honolulu. The resident population of the City and County of Honolulu is expected to increase at an annual rate of about 0.8% from 2000 to 2030, while Hawaii County is projected to grow at about 1.4% annually, Maui County at 1.5%, and Kauai at 1.2%.

Resident Population by County 2000-2030

Year	State Total	Hawaii County	Honolulu County	Kauai County	Maui County
2000	1,212,670	149,261	875,881	58,560	128,968
2005	1,275,190	163,000	912,900	62,000	140,050
2010	1,346,600	176,750	952,650	65,900	151,300
2015	1,418,650	190,300	995,550	70,200	162,600
2020	1,489,500	203,050	1,037,250	74,750	174,450
2025	1,560,400	216,150	1,078,050	79,350	186,850
2030	1,630,450	229,700	1,117,300	83,900	199,550

Source: Hawaii Department of Business, Economic Development, and Tourism

Resident Population by County Average Annual Growth Rate (%)

Year	State Total	Hawaii County	Honolulu County	Kauai County	Maui County
2000-2005	1.1	1.8	0.8	1.1	1.7
2006-2010	1.1	1.6	0.9	1.2	1.6
2011-2015	1.0	1.5	0.9	1.3	1.5
2016-2020	1.0	1.3	0.8	1.3	1.4
2021-2025	0.9	1.3	0.8	1.2	1.4
2026-2030	0.9	1.2	0.7	1.1	1.3

Source: Hawaii Department of Business, Economic Development, and Tourism

De facto population

The de facto population,[60] which includes present visitors, but excludes residents temporarily absent, is projected to grow from 1.34 million persons in 2000 to 1.8 million in 2030. The rate growth of the de facto population is just over 1.0% per year, about 80% of which is accounted for by resident population growth.

De Facto Population by County 2000-2003

Year	State Total	Hawaii County	Honolulu County	Kauai County	Maui County
2000	1,335,156	166,446	925,444	74,726	168,540
2005	1,406,650	180,800	964,950	79,050	181,850
2010	1,490,500	196,500	1,011,600	84,850	197,550
2015	1,579,400	212,250	1,062,100	91,200	213,850
2020	1,663,450	226,800	1,109,500	97,450	229,700
2025	1,748,600	241,800	1,156,500	103,850	246,400
2030	1,834,200	257,700	1,202,600	110,400	263,500

Source: Hawaii Department of Business, Economic Development, and Tourism

De Facto Population by Coutnty — Average Annual Growth Rate (%)

Year	State Total	Hawaii County	Honolulu County	Kauai County	Maui County
2000-2005	1.0	1.7	0.8	1.1	1.5
2006-2010	1.2	1.7	0.9	1.4	1.7
2011-2015	1.2	1.6	1.0	1.5	1.6
2016-2020	1.0	1.3	0.9	1.3	1.4
2021-2025	1.0	1.3	0.8	1.3	1.4
2026-2030	1.0	1.3	0.8	1.2	1.4

Source: Hawaii Department of Business, Economic Development, and Tourism

[60]The de facto population is defined as the number of persons physically present in an area, regardless of usual place of residence. It includes visitors present but excludes residents temporarily absent. The resident population is based on July 1, 2000 estimates. Visitors present and residents absent are based on calendar year averages.

Components of Change in the Civilian Population
2000-2030 (annual average for the period)

Period	Population change	Number of births	Number of deaths	Net migration
2000-2005	12,700	14,800	9,350	7,250
2005-2010	13,600	15,550	10,500	8,550
2010-2015	14,250	16,300	11,550	9,500
2015-2020	14,050	16,950	12,450	9,550
2020-2025	14,050	17,650	13,350	9,750
2025-2030	13,750	18,400	14,600	9,950

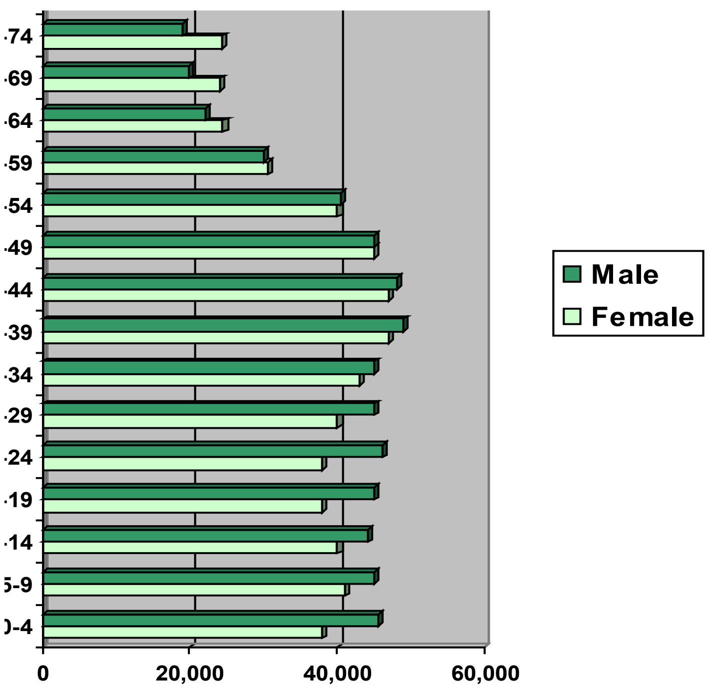
Source: Hawaii Department of Business, Economic Development and Tourism

Components of change in population

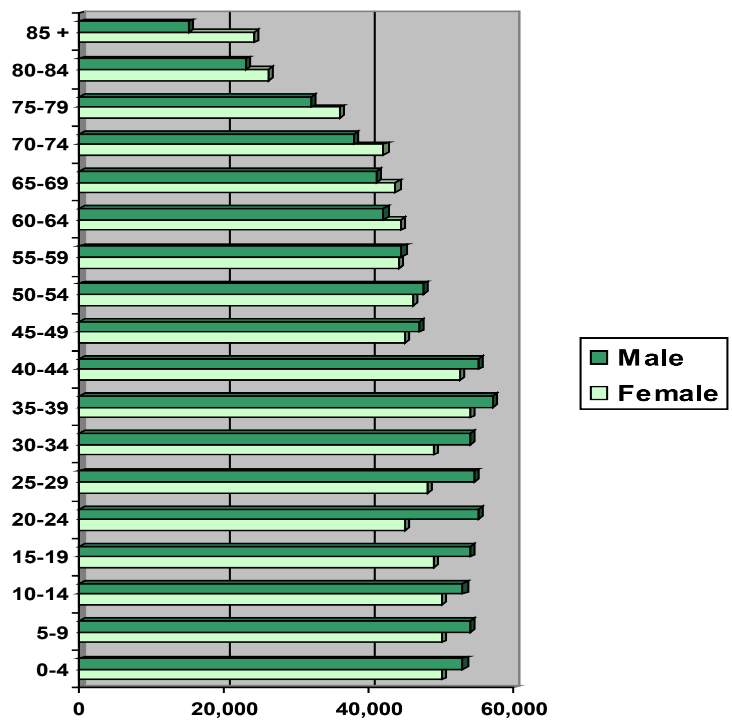
Whereas natural population growth (the surplus of births over deaths) was previously the more important contributor to total population growth, in-migration is forecasted to provide the larger share of population growth. Both births and deaths are expected to increase during the projection period, and average annual deaths are expected to increase at a higher rate. This trend is directly linked to the aging of Hawaii's population.

In 2005, 28.7% of Hawaii's households had at least one person 65 years or older.[61] This high percentage ranks Hawaii second in the nation and demonstrates the state's large population of older residents. In 2000, the share of Hawaii's other civilian population aged 65 and over was 14.2%, and is projected to rise to 21.0% by 2030. The changing age composition of the Hawaii population is shown in the tables below.

2000 Hawaii Resident Populations
Age and Gender

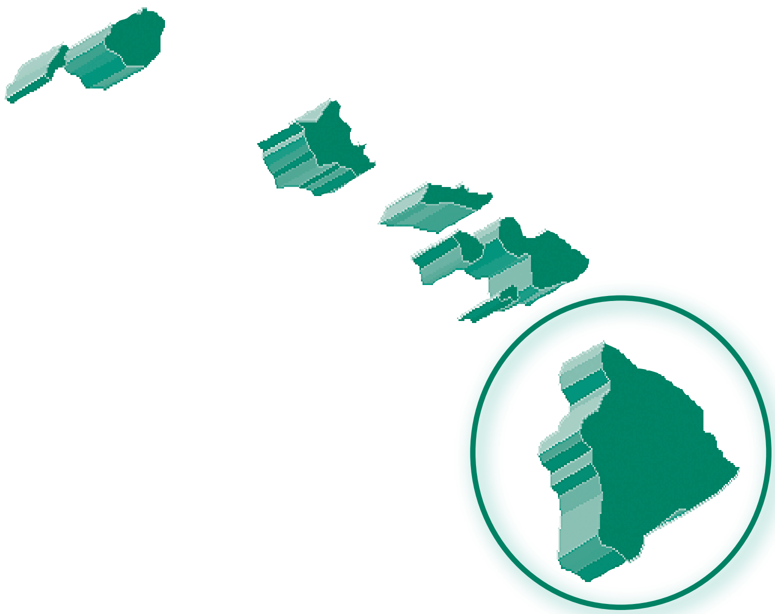


2030 Hawaii Resident Population Projection
Age and Gender



Source: Hawaii Department of Business, Economic Development and Tourism

[61]U.S. Census Bureau, American Community Survey, 2005



Hawaii County Profile

Population

Since 2000, a high number of individuals have migrated to Hawaii County internationally. The migration into Hawaii makes up 8.6% of the total migration into the state. As a result, Hawaii County had a sharp increase in population since 2000. With a total population of 164,437 in 2005, the county has had a 12.1% rise since 2000.

Hawaii County has a population base that is comprised of 32.1% White, 0.5% African American, 24.2% Asian, and 11.6% Hispanic. With 36.3% minorities, the county has a high level of diversity.

Housing

Hawaii County has had the highest growth of new housing structures in the state between 2001 and 2005. With a total of 71,984 homes in the year 2005, the county has added 7,564 residential units since 2001, or 11.7%.

The residential home values in Hawaii County have risen dramatically since 2000, increasing by $176,200 (114.6%). The median home value in 2005 was $329,900, lower than the State of Hawaii median owner-occupied dwelling value of $453,600, but much greater than the home value of $167,500 for the rest of the nation.

Similar to other counties in the State, Hawaii has a limited number of affordable units. As of 2005, only 12.5% of owner-occupied dwellings were valued under $125,000, and 25.8% of the homes in Hawaii County were valued at more than $500,000.

Employment

Hawaii County's civilian labor force expanded noticeably in the last five years, growing by 9.9% from 74,100 in 2000 to 81,450 in 2005, while the statewide labor force grew modestly by 4.4%.

Historically, unemployment rates in Hawaii County have been higher than the state overall; however, the gap has been diminishing in the last five years. Since 2000, when the difference was 0.8 percentage points, Hawaii County slowly gained, and by 2005 the gap was only 0.5 percentage points. Despite the improvements, Hawaii County has the highest unemployment rate in the state at 4.6%.

Projections of 2002-2012 industry employment show that three industries will account for approximately 70% of the employment growth in Hawaii County during the 10-year period: education and health services (24.8%); leisure and hospitality (20.4%); and trade, transportation and utilities (17.4%). The construction industry is expected to grow at the fastest pace.

Income

In 2003, Hawaii County's per capita personal income was $23,500 compared to the statewide per capita income of $30,441. Hawaii County had the lowest per capita income level of the other counties; however, Hawaii County's income growth was the largest from 1998 to 2003, rising 19.6%.

Hawaii County's average annual wage for covered workers in 2004 was $31,105, about 11.6% lower than the State of Hawaii average of $35,191. During the most recent five-year period, Hawaii County experienced strong wage growth of 19.9%, almost two percentage points higher than the statewide growth rate.

Sources: U.S. Census Bureau; Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor; Local Area Unemployment Statistics, Hawaii State Department of Labor and Industrial Relations; Hawaii Workforce Informer, Hawaii State Department of Labor and Industrial Relations; Bureau of Economic Analysis, U.S. Department of Commerce; Covered Employment and Wages, Hawaii State Department of Labor and Industrial Relations

HAWAII COUNTY

Population	
Total Population	164,437
% change since 1990	36.0%
% change since 2000	10.0%
Density (person/sq. mile)	40.34
Median age	36.75

Households	
Total households	58,274
Family households	39,917
Non-family households	18,357
Households w/children	20,255
Households w/o children	20,255
Average people per household	2.77
Overcrowded (1.01 to 1.50)	3,396
Severely overcrowded (1.51 +)	1,677

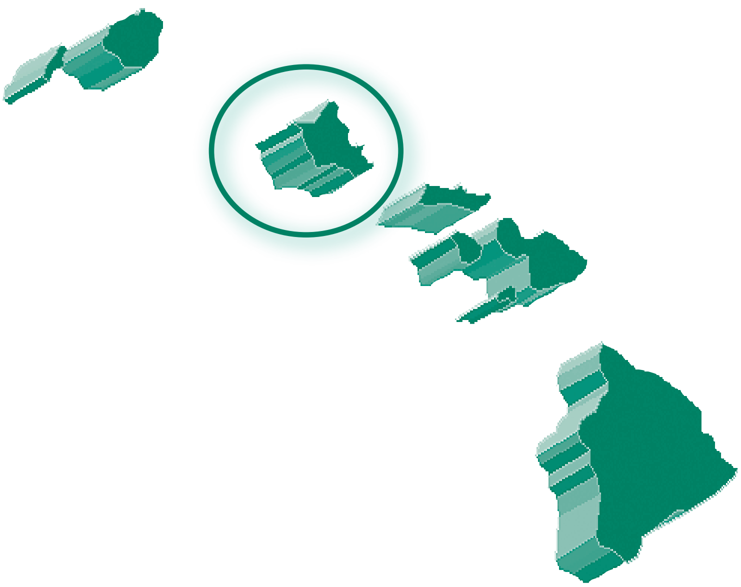
Income/Financial	
Average household income	$60,351
Median household income	$48,524
% increase since 1990	44.0%
% increase since 2000	8.0%
Per capita income	$23.500
Median total debts	$27,816
Average total household expenditure	$49,507
Families below poverty level	10.6%
Individuals below poverty level	13.2%

Housing	
Total housing units	71,984
Occupied housing units	59,470
Owner-occupied housing units	39,949
Renter-occupied housing units	19,521
Vacant housing units	12,514 (17.4%)
Homeowner vacancy rate	1.9
Rental vacancy rate	8.3
Average home sale price	$466,898

Monthly Housing Costs as a percentage of Household Income	
Homeowners cost burden (30.0% to 34.9%)	2,647
Homeowners severe cost burden (35.0% +)	8,112
Renters cost burden (30.0% to 34.9%)	1,437
Renters severe cost burden (35.0% +)	5,424

Employment Status	
Population 16 years and over	128,343
In labor force	79,218
Civilian labor force	79,170
Employed	75,541
Unemployed	3,629 (4.6%)
Armed Forces	48
Not in labor force	49,125

Source: U.S. Census Bureau, American Community Survey, 2005



City and County of Honolulu Profile

Population

Nearly 75% of the state's population resides on 9.3% of the City and County of Honolulu's land area. The number of people per square mile is 1,460.8, compared to 188.6 in the State of Hawaii.

In 2005, the City and County of Honolulu's population was 873,177 with most residents living in the Honolulu, Ewa and Koolaupoko districts. Due to economic developments and more housing availability in other counties, Honolulu County has had the lowest population growth rate in the state (2.4%) over the last five years.

The county's diverse population is comprised of 20.6% White, 2.6% African American, 0.2% American Indian and Alaska Native, 47.7% Asian, 8.3 Asian or Pacific Islander, 7.1% Hispanic or Latino, and 1.1% some other race.

Housing

With 42.9% of the homes in the City and County of Honolulu, Hawaii valued at more than $500,000, there are limited amounts of affordable housing. In 2005, 3.4% of housing was valued under $125,000. The residential home values in Honolulu County have increased by $148,700, or 48.1% since 2000.

The 2005 American Community Survey recorded the City and County of Honolulu's median owner-occupied home value at $457,700. This median is greater than the Hawaii 2005 home median value of $453,600 and almost three times greater than the median national home value of $167,500.

Although almost 80% of Hawaii's total population resides in Honolulu, the county had the lowest percentage of growth in residential real estate. Since 2001, 10,944 residential units were constructed (3.4%), providing a total of 329,300 housing units to the county by 2005.

Employment

the City and County of Honolulu's civilian labor force increased moderately in the most recent five-year period. The labor force expanded by 3.0% from 432,200 in 2000 to 445,150 in 2005. The statewide growth rate was 4.4% with the labor force averaging 634,600 in 2005.

the City and County of Honolulu usually has a lower unemployment rate than the statewide rate. However, over the last five years, the rates were almost identical, within 0.1 and 0.2 percentage points of the statewide rate. The county's average annual unemployment rate was 2.7% for 2005, compared to the state at 2.8%.

Education and health services, along with professional and business service, will account for 56% of the projected industry employment growth in the City and County of Honolulu from 2002 to 2012. Although both education and health will show strong growth (21.5%), health care and social assistance will produce more jobs (23.7%).

Income and wages

In 2003, the City and County of Honolulu's per capita personal income was $32,463. In the same year, the statewide per capita income was $30,441. Honolulu County had the highest per capita income of all the counties in the state. However, the City and County of Honolulu experienced the slowest income growth from 1998 to 2003; personal income grew by 16.2%, compared to the State of Hawaii's 16.5% growth.

The City and County of Honolulu's average annual wage for covered workers in 2004 was $36,615, approximately 4% higher than the statewide average of $35,191. The City and County of Honolulu had the highest average annual wage throughout the state, and although the county's wage grew by 18.2%, slightly higher than the state's overall growth rate of 18.1%, Honolulu was lower than the counties of Hawaii and Maui.

Sources: U.S. Census Bureau; Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor; Local Area Unemployment Statistics, Hawaii State Department of Labor and Industrial Relations; Hawaii Workforce Informer, Hawaii State Department of Labor and Industrial Relations; Bureau of Economic Analysis, U.S. Department of Commerce; Covered Employment and Wages, Hawaii State Department of Labor and Industrial Relations

HONOLULU

Population	
Total Population	873,177
% change since 1990	9.0%
% change since 2000	4.0%
Density (person/sq. mile)	1,494.33
Median age	36.38

Households	
Total households	302,672
Family households	202,973
Non-family households	99,699
Households w/children	90,273
Household w/o children	212,399
Average people per household	2.91
Overcrowded (1.01 to 1.50)	16,818
Severely overcrowded (1.15 +)	8,893

Income/Financial	
Average household income	$79,713
Median household income	$60,485
% increase since 1990	41.0%
% increase since 2000	9.0%
Per capita income	$25,781
Median total debts	$31,967
Average total household expenditure	$59,636
Families below poverty level	7.3%
Individuals below poverty level	9.4%

Housing	
Total housing units	329,300
Occupied housing units	300,557
Owner-occupied housing units	173,182
Renter-occupied housing units	127,375
Vacant housing units	28,743 (8.7%)
Homeowner vacancy rate	0.6%
Rental vacancy rate	4.3%
Average home sale price	$484,152

Monthly Housing Costs as a percentage of Household Income	
Homeowners cost burden (30.0% to 34.9%)	12,058
Homeowners severe cost burden (35.0% +)	38,738
Renters cost burden (30.0% to 34.9%)	10,440
Renters severe cost burden (35.0% +)	48,210

Employment Status	
Population 16 years and over	686,785
In labor force	441,334
Civilian labor force	445,150
Employed	401,075
Unemployed	18,658 (4.4%)
Armed Forces	21,601
Not in labor force	245,451

Source: U.S. Census Bureau, American Community Survey, 2005

Population

Kauai County, Hawaii is the least populated of all the counties in the State of Hawaii with a 2005 population of 62,640. Nearly three-quarters of Kauai's residents live in the Kawaihau, Koloa, and Lihue area. Over the last five years the population has increased 7% with the Districts of Hanalei, Kawaihau, Koloa, and Lihue experiencing the fastest population growth.

Kauai County's population base is comprised of 30.5% White, 0.4% African American, 33.9% Asian, and nine% Hispanic. Although 43.3% of the population are minorities, Kauai has a slightly lower level of diversity than the state (50.6%). The county is considered extremely diverse in comparison to the rest of the nation.

From 2000, a high number of individuals migrated to Kauai from outside the country. The immigration accounts for 2.5% of all immigration into Hawaii. This amount of international migration is high when analyzed against the base population in the year 2005 and compared to other counties across the country.

Housing

In 2005, there were a total of 27,447 housing structures in Kauai County. The area has seen growth in housing units, adding 1,796 homes since 2001, or 7%. The growth percentage ranks third among the counties of Hawaii.

Kauai had a median home value of $216,100 in 2000. While lower than the overall median of the State of Hawaii ($272,700), the value is twice as high as the $119,600 median home value across the nation during that year.

Similar to the rest of the state, Kauai has limited affordable housing and a large percentage of high-priced homes. In 2000, 6.6% of residential property was valued at more than $500,000.

Employment

Kauai County's civilian labor force expanded healthily, growing by 6.8% from 30,300 in 2000 to 32,350 in 2005. Kauai County fared better than the state as a whole; the statewide labor force increased by 4.4% from 2000 to 2005.

Historically, the unemployment rate in Kauai County has been higher than the State of Hawaii, but the trend has been reversed over the last five years. In 2000, Kauai County was 0.6 percentage points higher than the state, but by 2005, Kauai County was 0.1 percentage points below the state rate.

Projections of industry employment from 2002 to 2012 show that two industries will account for 50% of the employment growth in Kauai County during the 10-year period: leisure and hospitality (18.5%); and trade, transportation, and utilities (18.7%). Professional and business services under the latter industry are expected to grow the fastest.

Income

In 2003, Kauai County's per capita personal income was $25,838; the statewide per capita income was $30,441. Kauai County ranked third in terms of per capita income among the other counties, and experienced the third slowest income growth from 1998 to 2003 with a per capita income growth of 17.5%.

The average annual wage in Kauai County for covered workers in the year 2004 was $29,897, approximately 15% lower than the statewide average of $35,191. Kauai County had the lowest average annual wage in the state, as well as the slowest rate of growth at 16.6% during 1998 to 2003.

Sources: U.S. Census Bureau; Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor; Local Area Unemployment Statistics, Hawaii State Department of Labor and Industrial Relations; Hawaii Workforce Informer, Hawaii State Department of Labor and Industrial Relations; Bureau of Economic Analysis, U.S. Department of Commerce; Covered Employment and Wages, Hawaii State Department of Labor and Industrial Relations

KAUAI

Population	
Total Population	62,641
% change since 1990	20.0%
% change since 2000	5.0%
Density (person/sq. mile)	97.34
Median age	40.1

Households	
Total households	21,487
Family households	15,277
Non-family households	6,210
Households w/children	7,985
Households w/o children	13,502
Average people per household	2.83

Income/Financial	
Average household income	$68,662
Median household income	$49,207
% increase since 1990	32.0%
% increase since 2000	9.0%
Median total debts	$29,230
Average total household expenditure	$54,236
Families below poverty level	8.4%*
Individuals below poverty level	10.5%*

Housing	
Total housing units	27,447
Occupied housing units	20,183*
Owner-occupied housing units	12,384*
Renter-occupied housing units	7,799*
Vacant housing units	5,148*
Homeowner vacancy rate	1.2%*
Rental vacancy rate	6.1%*
Average home sale price	$707,236

Monthly Housing Costs as a percentage of Household Income	
Homeowners cost burden (30.0% to 34.9%)	12,058
Homeowners severe cost burden (35.0% +)	38,738
Renters cost burden (30.0% to 34.9%)	10,440
Renters severe cost burden (35.0% +)	48,210

Employment Status	
Population 16 years and over	686,785
In labor force	441,334
Civilian labor force	419,733
Employed	401,075
Unemployed	18,658 (4.4%)
Armed Forces	21,601
Not in labor force	245,451

Source: U.S. Census Bureau, 2005 American Community Survey

** Census 2000 data, 2005 not available*

Population

Maui County is comprised of the Island of Maui, Molokai, Lanai and Kahoolawe. Kalawao County, a state-managed hospital community, is situated on the Island of Molokai. The Island of Kahoolawe is uninhabited and in the process of being restored from a military practice site.

Maui is the third most populous of all the counties in the State of Hawaii. In 2005, the population was 138,433, with a majority of the residents living on the Island of Maui. Of the major ethnic groups, 34.2% are White, 0.5% African American, 29.3% Asian, and 8.7% Hispanic.

Since the year 2000, a very high number of individuals migrated to Maui from outside the country. The immigration into Maui totals 10.4% of the total international migration into the State of Hawaii.

Housing

Statewide, Maui County ranks second in terms of growth of new housing structures between 2001 and 2005. With a 7.7% growth in housing units since 2001, adding 4,461 residential structures, there are a total of 62,162 homes in the county.

In 2005, Maui County had the highest housing value in the state, 26% over the statewide median. Residential housing values have increased sharply since 2000, with a 129.5% increase; Maui had a median home value of $573,400 in 2005. With the overall statewide median home value at $453,600 there obviously are limited amounts of affordable housing in the county. In fact, only 8% of owner-occupied dwellings were valued at under $125,000 in 2000.

Employment

Maui County's civilian labor force has expanded in the last five years, increasing by 6.4% from 71,150 in 2000 to 77,685 in 2005, outpacing the statewide growth of 4.4%. Nearly all of the growth was on the Island of Maui. Molokai had a setback of 10.5%, shrinking to 2,550 in 2005, with most of the loss occurring in 2001. Similarly, Lanai declined by 5.6% over the same five-year period as its labor force slowly fell to 1,700 in 2005.

From 2000 to 2005, Maui County's average annual unemployment rate mirrored the state's performance from 3.7% in 2000 to 2.6% in 2005. The annual unemployment rates in Maui County had generally been lower than the state by about 0.2 to 0.3 percentage points. The average annual unemployment rate on the Island of Maui dropped from 3.3% in 2000 to 2.4% in 2005. Historically, Molokai has held the highest unemployment rate within the state. The rate dropped from 13.3% in 2000 to 7.8% in 2005. Lanai's annual unemployment rate averaged 3.0% in 2000 but went down to 1.5% in 2005.

Three industries will account for about 70% of employment growth in Maui County during the 2002 to 2012 period: leisure and hospitality (11.8%); trade, transportation, and utilities (16.8%); and education and health services (23.7%).

Income

Maui County's per capita personal income was $27,310 in 2003; the statewide per capita personal income was $30,441. Compared to the other counties of the state, Maui's income level was second to Honolulu County, and second to Hawaii County in terms of growth over the five-year period. Maui County recorded a 19.5% growth in per capita income, exceeding the statewide growth by three full percentage points.

Maui County's average annual wage for covered workers in 2004 was $32,159, about 8.6% lower than the statewide average of $35,191. Maui had the second highest average annual wage among the four counties, after Honolulu. Over the most recent five-year span, Maui's wage grew by 19.3%, surpassing all but Hawaii County.

Sources: U.S. Census Bureau; Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor; Local Area Unemployment Statistics, Hawaii State Department of Labor and Industrial Relations; Hawaii Workforce Informer, Hawaii State Department of Labor and Industrial Relations; Bureau of Economic Analysis, U.S. Department of Commerce; Covered Employment and Wages, Hawaii State Department of Labor and Industrial Relations

MAUI

Population	
Total Population	138,433
% change since 1990	38.0%
% change since 2000	8.0%
Density (person/sq. mile)	199.38
Median age	37.8

Households	
Total households	46,867
Family households	31,661
Non-family households	15,206
Households w/children	16,897
Households w/o children	29,970
Average people per household	2.86
Overcrowded (1.01 to 1.50)	3,763
Severely overcrowded (1.15 +)	1,563

Income/Financial	
Average household income	$75,073
Median household income	$54,062
% increase since 1990	39.0%
% increase since 2000	9.0%
Per capita income	$27,310
Median total debts	$31,107
Average total household expenditure	$57,688
Families below poverty level	4.6%
Individuals below poverty level	6.5%

Housing	
Total housing units	62,178
Occupied housing units	48,393 (77.8%)
Owner-occupied housing units	28,476 (58.8%)
Renter-occupied housing units	19,917 (41.2%)
Vacant housing units	13,785 (22.2%)
Homeowner vacancy rate	0.8%
Rental vacancy rate	3.2%
Average home sale price	$620,896

Monthly Housing Costs as a percentage of Household Income	
Homeowners cost burden (30.0% to 34.9%)	1,088
Homeowners severe cost burden (35.0% +)	8,313
Renters cost burden (30.0% to 34.9%)	2,578
Renters severe cost burden (35.0% +)	5,474

Employment Status	
Population 16 years and over	108,241
In labor force	77,738
Civilian labor force	77,685
Employed	74,330
Unemployed	3,335 (4.3%)
Armed Forces	73
Not in labor force	30,503

Source: U.S. Census Bureau, American Community Survey, 2005

Household Income Data by County (1992, 1997, 2003)

Characteristic	County of Residence														
	Honolulu			Maui			Hawaii			Kauai			Total		
	1992	1997	2003	1992	1997	2003	1992	1997	2003	1992*	1997	2003	1992	1997	2003
Total Households	247,349	272,234	292,003	34,266	39,252	43,687	39,789	46,271	54,644	16,981	18,817	20,460	338,385	376,574	410,794
Household Income:															
Less than $15,000	N/A	8.6%	8.0%	N/A	10.3%	9.3%	N/A	14.2%	14.4%	N/A	10.8%	12.6%	N/A	9.6%	9.2%
$15,000-$24,999**	24.4%	8.8%	10.3%	20.2%	8.4%	13.1%	23.9%	14.3%	12.0%	19.7%	13.0%	11.8%	23.7%	9.6%	10.9%
$25,000-$34,999	12.9%	11.9%	14.0%	16.5%	15.5%	12.5%	18.5%	15.1%	16.6%	13.8%	14.6%	15.9%	14.0%	12.8%	14.3%
$35,000-$49,999	16.1%	16.3%	22.0%	19.5%	17.9%	21.6%	20.0%	15.1%	22.3%	22.4%	15.5%	21.1%	17.3%	16.3%	21.8%
$50,000-$74,999	12.3%	15.3%	17.5%	11.1%	15.1%	18.8%	10.5%	11.5%	17.3%	10.4%	15.3%	17.6%	11.9%	14.8%	17.7%
$75,000-$99,000	5.8%	8.8%	11.3%	2.2%	6.5%	13.9%	3.4%	4.0%	8.6%	4.7%	4.5%	9.3%	5.1%	7.7%	11.1%
$100,000 or more	7.3%	6.1%	16.9%	3.3%	5.9%	10.6%	4.2%	4.0%	8.9%	3.0%	3.0%	11.7%	6.3%	5.7%	15.0%
Refused	21.1%	24.3%	—	27.2%	20.3%	—	19.5%	21.8%	—	25.9%	23.4%	—	21.8%	23.5%	—
Median***	$36,974	$42,234	$57,208	$35,843	$38,908	$42,228	$34,063	$31,831	$42,907	$36,966	$34,891	$47,176	$36,289	$39,883	$47,489
% of HUD Guidelines:															
30% or less	N/A	7.6%	4.7%	N/A	6.9%	10.1%	N/A	3.1%	5.1%	N/A	9.2%	6.2%	N/A	7.0%	5.4%
Over 30%-50% †	20.4%	14.9%	19.2%	19.5%	11.2%	17.1%	20.2%	19.0%	14.4%	21.2%	18.3%	22.5%	19.8%	15.2%	18.5%
Over 50%-80%	19.3%	21.2%	21.8%	18.8%	26.7%	27.8%	18.2%	20.7%	28.1%	18.0%	27.0%	26.9%	19.0%	21.9%	23.5%
Over 80%-120%	22.7%	29.7%	22.0%	23.6%	24.4%	17.5%	23.6%	23.3%	21.5%	21.4%	25.1%	20.0%	21.6%	28.2%	21.4%
Over 120%-140%	10.4%	6.5%	7.2%	9.4%	10.0%	7.0%	9.5%	9.8%	6.0%	9.4%	8.9%	6.6%	11.1%	7.4%	7.0%
Over 140%	27.3%	20.2%	25.2%	28.4%	20.8%	20.5%	28.6%	24.0%	24.9%	30.0%	11.5%	17.8%	28.4%	20.3%	24.3%

Source: SMS, INC, Hawaii Housing Policy Study, 2003

Note: percentages may not sum to 100.0 due to rounding

* *Pre-Hurricane 'Iniki*

** *In 1992, the lowest household income was "less than $25,000"; category was expanded into two categories for 1997.*

*** *Medians were derived from the categorical survey data excluding refusals (refusal to participate in survey).*

† *In 1992, the lowest category for HUD income comparisons was "50% or less"; category was expanded into two categories for 1997.*

Household Composition by County 1992, 1997, 2003

Characteristic	County of Residence														
	Honolulu			Maui			Hawaii			Kauai			Total		
	1992	1997	2003	1992	1997	2003	1992	1997	2003	1992*	1997	2003	1992	1997	2003
Total Households	247,349	272,234	292,003	34,266	39,252	43,687	39,789	46,271	54,644	16,981	18,817	20,460	338,385	376,574	410,794
Household Type**															
Single member	11.9	14.1	22.0	12.6	14.1	21.9	9.6	14.8	22.3	12.7	13.2	20.9	11.7	14.2	22.0
Married, no children	24.4	25.6	28.9	24.4	25.0	29.6	27.2	27.0	30.6	26.1	27.1	26.9	24.9	25.8	29.1
Parent(s) & children	26.3	27.3	18.3	32.9	27.9	21.6	32.3	28.4	20.6	31.0	30.0	21.8	27.9	27.6	19.1
Unrelated roommates	1.7	4.2	6.1	1.6	5.4	7.0	0.6	3.5	7.1	0.5	1.7	8.3	1.5	4.1	6.5
Multiple families	32.0	27.2	22.9	25.9	24.8	17.6	26.0	24.3	18.1	26.3	25.4	20.5	30.3	26.5	21.6
Undetermined	3.7	1.8	1.8	2.3	2.7	2.3	4.3	2.1	1.4	3.5	2.5	1.7	3.6	1.9	1.8
% overcrowded (1.01 persons or more per room)	23.2	10.6	10.0	26.8	10.4	11.0	18.7	7.9	7.0	17.4	9.1	6.0	22.2	10.2	9.6
% of households overcrowded or doubled up***	45.7	32.7	19.0	38.8	29.5	17.5	37.6	28.5	15.0	36.2	29.6	20.2	43.6	31.7	18.4

Source: SMS, INC, Hawaii Housing Policy Study, 2003

Note: percentages may not sum to 100.0 due to rounding.
* *Pre-Hurricane 'Iniki*
** *Household type was measured differently in 1992 and 1997.*
*** *Based on 1.01 persons or more per room or multiple families in one household.*

Housing Characteristics

In 2005, there were 491,071 housing units in the State of Hawaii (up from approximately 483,000 in 2004). Of the occupied housing units, about 60% were owner-occupied and 40% were renter-occupied; 59.5% were single-unit structures, 40.2% were in multi-unit structures; and due to Hawaii's stringent zoning and building code regulations, less than 0.2% were mobile homes.[62]

Housing Characteristics by County*
2005

	State	Honolulu	Hawaii	Maui
Total housing units	491,071	329,300	71,984	62,178
Occupied units	430,007	300,557	59,470	48,393
Vacant units	61,064	28,743	12,514	13,785
Vacancy Rate				
Homeowner	0.9	0.6	1.9	0.8
Rental	4.7	4.3	8.3	3.2
Units in Structure				
1-unit detached	262,821	153,127	54,756	35,127
1-unit attached	29,467	23,745	1,523	2,650
2 units	13,966	9,405	2,070	1,609
3-4 units	23,654	17,736	2,745	1,678
5-9 units	34,286	25,027	2,994	5,224
10-19 units	26,621	20,143	1,922	3,333
20+ units	98,708	79,195	5,459	12,511
Mobile home	899	310	478	46
Boat, RV, van, etc.	649	612	37	0
Housing Tenure				
Owner-occupied	256,578	173,182	39,949	28,476
Renter-occupied	173,429	127,375	19,521	19,917

Source: U.S. Census Bureau, American Community Survey 2005
**2005 data on Kauai not available*

More than 26,000 of Hawaii's housing units were built after 2000, which comprises 5.6% of the state's housing stock. At 7.5% (over 4,600 units), Maui County had the highest percentage of these newer units.[63]

Vacancy rates

According to the 2000 Census, Hawaii has the tenth highest percentage of seasonal, recreational or occasional use homes in the country. These units are often referred to as "vacation" homes or time-share units. About 5.6% of Hawaii's housing stock was classified as "vacant for seasonal use."

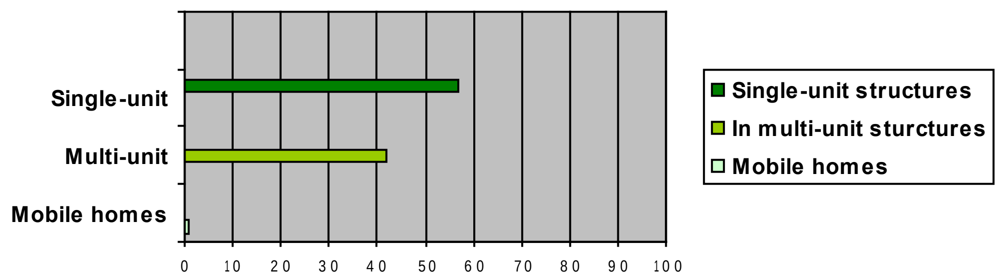
Due to these seasonal housing units, Hawaii demonstrates a misleading higher-than-average vacancy rate of 12% (compared to 9% nationally) in an extremely tight housing market. In 2005, there were 491,071 housing units in the State of Hawaii; 430,007 (88%) were occupied and 61,064 (12%) were vacant.

[62]U.S. Census Bureau, American Community Survey, 2005

[63]Ibid

Type of Housing Unit in Hawaii 2005 (by percentage)

Table 14: Type of Housing Unit in Hawaii 2005 (by percentage)



Source: U.S. Census, American Community Survey, 2005

Source: U.S. Census, American Community Survey, 2005

Condition of housing units

The condition of the housing stock, measured by the number of units that lack complete plumbing or kitchen facilities appears to have improved from 2000 to 2005. However, the absence of telephone services to each island and the state as a whole, more than doubled in the last five years.

It should be noted that rapid building of high-end condos and developments for out-of-state investors has increased housing stock and skewed the numbers to show lower percentages of housing units lacking complete kitchen and plumbing facilities.

Housing Units Lacking Facilities and Services

	State		Honolulu		Hawaii		Kauai		Maui	
	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005
Lack complete plumbing	1.2%	.50%	0.7%	.30%	3.7%	1.4%	1.0%	N/A	1.1%	.90%
Lack complete kitchen	1.8%	1.0%	1.4%	.80%	4.3%	1.8%	1.6%	N/A	1.3%	1.7%
No telephone service	2.0%	4.4%	1.7%	4.1%	3.3%	4.9%	2.2%	N/A	2.4%	6.1%

Source: U.S. Census Bureau 2000; American Community Survey 2005

Housing Unit Condition* by County
(1992, 1997, 2003)

County	Honolulu			Maui			Hawaii			Kauai			Total		
Year	1992	1997	2003	1992	1997	2003	1992	1997	2003	1992**	1997	2003	1992	1997	2003
Total Housing Units	285,487	309,473	292,003	48,850	54,639	43,687	45,408	54,643	54,644	20,643	24,112	20,460	400,388	442,867	410,795
Owner Occupied															
Excellent condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Satisfactory	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Fair condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Poor condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Rented															
Excellent condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Satisfactory	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Fair condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%
Poor condition	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%	47.2%	31.3%	42.0%

Source: SMS, Inc., Hawaii Housing Policy Study, 2003

*The satisfaction with housing unit condition question was asked in the same exact manner in 1992, 1997, and 2003.

**Pre-Hurricane ‘Iniki

Overcrowding

Since 1960, the standard of more than 1.0 person per room[64] has been the principal measurement to determine overcrowding of a household. In addition to the more than 1.0 standard, the Census also uses to a higher cutoff of more than 1.5 occupants per room to signify severe overcrowding. Living conditions implied by these two standards can be better understood by considering them in relation to a typical American home containing five rooms[65] . For the typical house to be overcrowded, it would need to have at least six occupants. Five occupants would not be considered an overcrowded household, as the overcrowding standard requires more than 1.0 person per room. The typical home would need to have at least eight occupants to be classified as severely overcrowded.

For decades, due to notoriously high housing costs, Hawaii and California led the nation with the highest rates of overcrowding. While Hawaii remained steady at around 18% through the 1980s and 1990s, California nearly doubled from 11% to 20%. Since 2000, Hawaii has topped the nation with the highest percentage of overcrowding.[66] Although the number has slightly declined each year (see Table 17), the gradual decline has yet to make up the tremendous difference in comparison to the rest of the country. In 2005, with 8.7% of all occupied households experiencing overcrowding, Hawaii continued to rank first.[67] The high percentage of overcrowding illustrates housing affordability problems and the direct effect of insufficient affordable housing options for lower-income households. Not surprisingly, Hawaii has the third largest household size in the country, averaging 2.88 persons per household.[68]

Given the rapid increase of the U.S. foreign-born population in recent decades, it can be argued that the different ethnic groups in Hawaii may have varying tolerances for overcrowding. Whereas many native-born persons might find eight people living in a five-room house to be objectionable, immigrants originating from close-contact societies with higher average residential densities might not perceive such a living arrangement as problematic. The likelihood that different ethnic groups have different conceptions of unacceptable household densities warrants greater attention from researchers and policy makers, regardless of whether it accurately reflects the affected household.

It should again be noted that the same distortion created by new high-end developments has also altered the percentage of overcrowding, as low- and very-low income households are clearly not absorbing these expensive new units.

% of Occupied Housing Units
with 1.01 Occupants per Room

2005			2004			2003		
Rank	State	%	Rank	State	%	Rank	State	%
1	Hawaii	8.7	1	Hawaii	8.8	1	Hawaii	8.8
2	California	8.0	2	California	8.3	2	California	8.3
3	Alaska	6.3	3	Texas	4.7	3	Texas	4.7
4	Texas	5.0	4	Alaska	4.6	4	Alaska	4.6
5	Arizona	4.9	5	Arizona	4.4	5	Arizona	4.4
11	U.S.	3.1	11	U.S.	3.1	11	U.S.	3.1

American Community Survey 2005, 2004, 2003

[64]The Census counts only whole rooms used for living purposes. Living rooms, dining rooms, kitchen, bedrooms, recreation rooms, enclosed porches suitable for year-round use, etc. are included. Excluded from the definition are bathrooms, strip or Pullman kitchens, open porches, balconies, halls or foyers, half-rooms, utility rooms, unfinished attics or basements, or other unfinished space used for storage.

[65]According to the Census 2000, the median number of rooms for all housing units is 5.3.

[66]U.S. Census Bureau, 2000

[67]U.S. Census Bureau, American Community Survey, 2005

[68]Ibid

Real Estate

Housing market changes

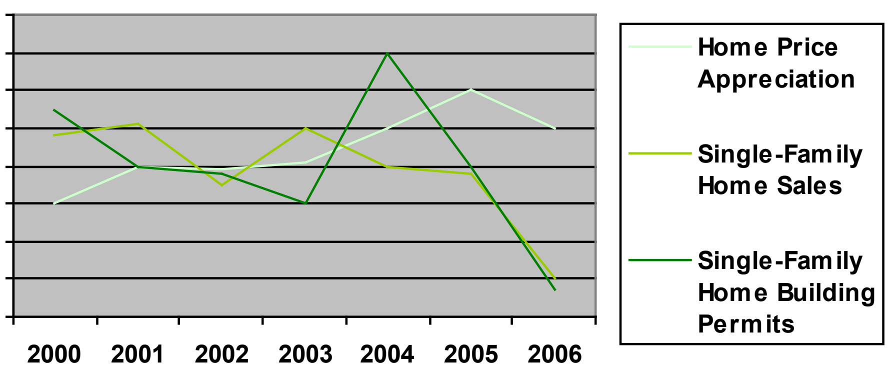
One of the biggest changes in the Hawaii economy over the past year has occurred in the real estate market. By 2005, Hawaii reached an all-time high in resident home prices with a 100% increase in the resident home price from 1999. While this is positive for the economy, and higher home values impart a positive wealth effect to homeowners, overall the current prices are unreachable for many who work in the lower-wage service industry. Incited by tourism, the service industry is Hawaii's largest employer, consisting of 21.9% of the state's total work force.[69]

Hawaii's rapidly increasing home prices have been driven by a variety of factors, including the inability of housing construction rates to keep pace with the short-term demand, favorable interest rates, economic growth on the mainland, and major market housing costs approaching parity with Hawaii, thereby fueling out-of-state buyers. By 2005, the median housing value of owner-occupied housing units was $453,600,[70] the second highest home value in the country. New home sales grew by more than 73%, and new resort sales grew the most by 160%.[71]

The dwindling supply of housing for sale or rent also contributed to the dramatic rise in home sale prices. Available housing had steadily declined since 1995. By 2004, listings for single-family units had fallen for nine straight years on Oahu with minimal building in response. In February 2004, The Honolulu Advertiser reported an available inventory of 623 newly-constructed units for sale in the City and County of Honolulu compared to 1,117 new units in 2003 and 1,173 in 2002.[72]

By mid-2005, emerging signs of weakness in the housing market began to show. Home sales and permit activity across Hawaii slowed considerably. By the end of the second quarter of 2006, single-family home sales and single-family building permits declined 18% and 21.8%, respectively (see Table). In addition, the pace of home price appreciation eased.

Hawaii Single-Family Housing Markets Cools



Sources: Office of Federal Housing Enterprise Oversight; U.S. Census Bureau; National Association of Realtors

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[69]U.S. Census Bureau, American Community Survey, 2005

[70]Ibid

[71]Data@Work, Ricky Cassiday, 2004

[72]The Honolulu Advertiser, "New-Home Sales Climb on Oahu," Andrew Gomes, February 2004

Employment impact

In 2004, construction embodied 7.0% of Hawaii's economy.[73] Recent declines in permit and sales activity show a slowing in residential construction activity with possible adverse implications for overall job growth and the demand for construction financing. While the Hawaii job market remains among the strongest in the nation, job growth in Hawaii decelerated from the 2005 pace of 3.4%.[74] The slowing housing market negatively impacted the state's construction sector, which added 28% fewer new jobs in the second quarter of 2006 compared to the previous year.

Affordability issues rising with housing costs

Despite the relatively swift rate of growth in Hawaiian home ownership over the past several years and efforts implemented with statewide laws mandating a certain percentage of affordable housing to be included in new development, the number of options available to lower-income earners has been disappearing.

Affordability problems are acute on Kauai and Maui, where prices have accelerated more than Oahu, and where higher-income positions are even scarcer. In 2005, Maui County had the highest median price at $734,500.[75] By the end of 2006, the price had dropped 18% to $598,795; however, Maui still retains the highest price in the state.

Throughout the state, the decline in sales of single-family homes that began in 2005 continued to accelerate during 2006. At the same time, median prices have continued to increase, but at a slower pace than the heated rises of 2004 and 2005 (see Table below).

Residential Home Median Price 2005-2006

	Median Price		
County	***November 2005***	***November 2006***	***percentage Change***
Oahu	$640,500	$610,000	-4.8%
Kauai	$689,500	$590,000	-14.4%
Hawaii	$383,999	$370,000	-3.6%
Maui	$734,500	$598,795	-18.0%

Sources: Honolulu Board of Realtors, Hawaii Information Service; Realtors Association of Maui

[73] U.S. Census Bureau, American Community Survey 2005

[74] Hawaii State Department of Business Economic Development & Tourism, 2006

[75] Realtors Association of Maui, 2006

Affordability Gap

In Hawaii, public policy and geography restrict home-building, resulting in a low price elasticity of the housing supply. The high cost of land, lack of infrastructure, and high construction costs create additional barriers in developing and over the years has fueled pent-up demand. When housing demand rose faster than inventory could be supplied, prices appreciated rapidly; however, in Hawaii's supply-constrained market, the increase in housing demand shifted the home price distribution faster than income distribution. The mismatch between average incomes and home prices inevitably resulted in problems of property taxes and affordability.

Unfortunate Affordability Arithmetic
Oahu Housing Affordability Index of Monthly Home Mortgage Payment*

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mortgage Interest Rate (%)	7.20	8.05	6.97	6.54	5.82	5.50	5.50	6.25	6.25
Compound annual return 1980-? (%)	2.6	2.5	2.8	3.3	3.8	4.8	6.1	6.9	6.6
Annual appreciation rate (%)	-1.7	1.7	1.7	11.7	13.4	18.4	31.1	20.0	0.0
Median Oahu SF Home Price ($)**	290,000	295,000	299,900	335,000	380,000	450,000	590,000	708,000	708,000
Down Payment (20% of Price)	58,000	59,000	59,980	67,000	76,000	90,000	118,000	141,600	141,600
Loan Amount (80% of Price)	232,000	236,000	239,920	268,000	304,000	360,000	472,000	566,400	566,400
Monthly Principal and Interest ($)	1,575	1,742	1,591	1,701	1,788	2,044	2,680	3,487	3,487
Annual Median Family Income ($)	66,402	65,872	66,014	67,564	71,320	73,816	76,400	79,074	81,841
Monthly Median Income ($)	5,534	5,489	5,501	5,630	5,943	6,151	6,367	6,589	6,820
Monthly Income Required ($)	5,512	6,095	5,570	5,953	6,257	7,154	9,380	12,206	12,206
Monthly Income Gap ($)	(22)	606	69	323	313	1,003	3,013	5,616	5,385
House Payment/Median Income (%)	28.5	31.7	28.9	30.2	30.1	33.2	42.1	52.9	51.1
Un-affordability Index (1997=100)***	**96.7**	**107.8**	**98.3**	**102.7**	**102.2**	**112.9**	**143.1**	**179.9**	**173.8**

Source: Bank of Hawaii Economic Research Center, 2006

*Housing affordability index of monthly mortgage payment divided by median four-person family income

** HUD guidelines through 2005, based on median single-family home

*** Index of payment to income ratio with base period 1977 = 100

Poverty and asset accumulation

Although low-income families tend to have lower rates of home ownership, studies of asset accumulation among low-income households outline the particular importance of home equity. For low-income families, home ownership represents both an important source of wealth and direct consumption value. Unfortunately, Hawaii's severe affordable housing problems often provide mixed result in indexes.

The Corporation for Enterprise Development's (CFED) annual Development Report Card (DRC) uses 67 measures to provide a relative state-by-state assessment of economic development, capturing important development issues and trends. In 2007, while DRC provided a comprehensive snapshot of the health and growth of states' economy and housing, Hawaii's affordable housing crisis skewed some measurements, producing mixed and misleading results. Hawaii received the highest ranking in the country for home ownership by race, demonstrating a nearly equal number of white (0.53) and non-white (0.58) homeowners, and one of the lowest number of foreclosures (ranked 2nd). However, these favorable numbers are offset by the state's 48th ranking in home ownership and 49th placement in housing affordability.

Hawaii also received high marks for "household net worth," ranking ninth nationally. However, this statistic is particularly influenced by home prices, and with Hawaii's inflated costs, the results may reflect an inflated level of household income. Other indexes indicate a much lower household income level. A large percentage (ranked 43rd) of households with zero or negative net worth, suggest that a great number of Hawaiians are living on the margin with no ability to save. This is further demonstrated in Hawaii's 49th ranking in number of households having a checking account. Research shows that at every level of income, "un-banked" households are worse off financially than their "banked" counterparts.[76]

The final measure of the overall wealth of homeowners is provided by the equality of home ownership by income. Hawaii ranked 43rd, indicating the state has a great disproportion between wealthy homeowners and low-income homeowners. This inequality also provides misleading numbers in indexes, such as household net worth.

But perhaps the most telling statistic of Hawaii's family income and housing issues is in the state's 49th ranking in nationwide affordable housing costs. In comparing housing affordability to wages, the state had a high ratio of housing value to income, indicating the inaccessibility of housing to a vast majority of the population.

Employment and wages

Although Hawaii retains the lowest unemployment rate in the country at 2.8%,[77] it is clear that many of the employed find housing unaffordable. Fourteen percent of Hawaii's employed residents are employed only part-time,[78] while many other workers work more than one job to afford housing.

Hawaii's per capita income was $34,468 in 2005.[79] However, workers needed to earn $48,940 annually to afford even a modest, two-bedroom apartment. Tourism, the largest and most productive industry in Hawaii, accounts for 24.2% of the total employment for the state. In 2005, Hawaii had the second-highest percentage (21.9%) of service occupations (Nevada ranked first).[80] Unfortunately, the majority of service industry occupations are low paying.[81]

The top five most common occupations on the Islands, employing the greatest number of people, all earned an average annual wage of less than $24,000. Retail sales people, the largest occupational population in Hawaii (employing 25,990), earned an average of $22,320 a year. Of Hawaii's top 10 occupations with the greatest number of workers employed, only two positions earned more than $26,000 annually[82] (see Table).

Ten Most Common Occupations Employment and Wages Estimate 2005

Occupation	Number Employed	Mean Annual Wages
Retail salespersons	25,990	$22,320
Waiters and waitresses	15,690	$21,830
Office clerks, general	15,000	$23,760
Cashiers	13,530	$18,980
Janitors and cleaners	12,720	$21,570
Maids and housekeepers	10,760	$25,280
Food prep/serving workers	10,120	$17,340
Registered nurses	9,240	$65,490
Bookkeeping, accounting	8,630	$31,250
Landscaping and grounds	7,910	$25,000

Sources: Bureau of Labor Statistics, Department of Labor, May 2005

[76]CFED, 2007 Development Report Card for the States, 2006

[77]U.S. Census Bureau, American Community Survey, 2005

[78]Ibid

[79]Bureau of Economic Analysis, 2005

[80]U.S. Census Bureau, American Community Survey, 2005

[81]Hawaii Tourism Authority, Annual Report to the Hawaii State Legislature, 2006; Bureau of Labor Statistics, Department of Labor, 2005

[82]Bureau of Labor Statistics, Department of Labor, 2005

Cost burden

Housing affordability problems are widespread in the State of Hawaii. In 2005, 43.9% of renters were cost burdened, and 39.7% of mortgaged homeowners were cost burdened.[83] The median monthly housing costs for owner-occupied housing units with a mortgage was $1,763, the fourth highest amount in the country, and the median monthly housing costs for renters was $995 — the highest in the country.[84]

In examining households that are cost burdened, it is important to evaluate the percentage of cost burdened households against income levels to understand housing affordability problems for lower-income households. The 43.9% and 39.7% stated above is the percentage of all renters and all homeowners, respectively; therefore, upper income households will lower the overall cost burden percentage. The table below outlines the percentage of cost burdened and severely cost burdened households based on type, size and income.

Cost Burdened Households by Income and Type

	Renters		Owners	
Income	**Small Related (2 to 4)**	**Large Related (5 or more)**	**Small Related (2 to 4)**	**Large Related (5 or more)**
Household Income <=30% MFI	12,060	3,965	3,435	904
% cost burdened (>30% of income)	72.6%	75.9%	70.9%	71.3%
% severely cost burdened (> 50% of income)	61.6%	57.5%	59.4%	57.5%
Household Income >30% to <=50% MFI	12,395	4,685	4,104	2,004
% cost burdened (>30% of income)	67.7%	79.8%	73.1%	71.6%
% severely cost burdened (> 50% of income)	22.2%	12.7%	48.1%	39.9%
Household Income >50% to <=80% MFI	17,804	6,075	11,880	5,665
% cost burdened (>30% of income)	30.4%	22.4%	56.3%	56.1%
% severely cost burdened (> 50% of income)	4.1%	1.6%	26.6%	20.7%
Household Income >80% MFI	34,285	8,819	85,418	30,575
% cost burdened (>30% of income)	6.2%	4.4%	23.0%	17.9%
% severely cost burdened (> 50% of income)	0.2%	0.0%	3.3%	2.2%

Source: U.S. Census Bureau, CHAS Data Book, 2000 (CHAS data offered decennially)

[83] According to HUD programs, households spending more than 30% of household income for housing costs (mortgage costs or gross rent) are considered "cost burdened." Households spending more than 50% are considered to be "severely cost burdened." Housing is generally considered to be affordable if the household pays less than 30% of income.

[84] U.S. Census Bureau, American Community Survey, 2005

Economy

Industry

The history of Hawaii can be traced through a succession of dominating industries, including sandalwood, whaling, sugarcane, pineapple, military, tourism and education. Since statehood in 1959, tourism has replaced plantation agriculture as the largest industry in Hawaii. Tourism remains the strongest contributor to the state's economy, reaching record highs in 2005 and providing $12.4 billion in revenue, or 23% of Hawaii's gross state product (GSP). [85-86]

In 2005, Hawaii's total GSP[87] was $57.7 billion, ranking tenth in the nation.[88] A strong performance from Hawaii's tourist industry provided almost a quarter of the economic measure. However, growth in the imputed rental value of homes in Hawaii played the greatest role in the strength of the state's GSP.

As Hawaii's economy is heavily dependent on tourism and the military, it is extremely vulnerable to changing economic conditions on the U.S. mainland and Japan. Hawaii's dependency on the fortunes of the tourism industry constantly subjects the economy to the unpredictable and uncontrollable factors that influence travel including weather, natural disasters, contagious diseases, inflation, fuel costs, terrorism and the economic health of other states or countries. Unfortunately, the income generated by the state's traded sector is not spread evenly across a number of industries, but concentrated in few. As a result, Hawaii ranked 47th in the nation with one of the lowest diversities of industry.[89]

Tourism

Hawaii's total visitor count exceeded 7 million in 2005, the largest number in the history of the state. Including visitors aboard cruise ships, the total was nearly 7.5 million. In 2005, Hawaii's travel and tourism sector provided approximately 201,766 jobs — 24.2% of total employment for the state — and contributed $1.27 billion in tax revenues to the state and county government (23.2% of total state and county tax revenues).[90]

By 2006, the tourist industry began a slowdown caused in part by rising oil prices and aviation fuel costs that impacted air fares.[91] Air fare fuel surcharges on flights to Hawaii from Japan reduced travel sharply with a 9.4% decline in Japanese arrivals and a 6.6% decline in international arrivals. Slowing tourism growth represents the precariousness of the industry and the effects of uncontrollable circumstances on the state's economy. Tourism in 2006 concluded with a -0.5% growth in visitor arrivals, and 2007 forecasts a modest 2% growth.

Recent impacts on the tourism industry demonstrate the volatility of Hawaii's economy. Heavy rains and catastrophic flooding during the winter of 2006 received national media attention, and resulted in a 3.26% drop in domestic visitors in the periods December 2005 to February 2006 and March 2006 to May 2006. Domestic visitor counts continued to display weakness in May 2006. The slowing was attributed to several natural disasters and infrastructure failures related to runoff loading, which also received media attention. Rising global petroleum prices on energy and aviation fuel costs, air fares and travel demand, also contributed to the slowdown. By the end of the year, the tourism industry showed an annualized 12.1% decline.

[85] Hawaii Tourism Authority, Annual Report to the Hawaii State Legislature, 2006

[86] Gross state product (GSP) is one of the most frequently used comprehensive measures of an economy. Defined as the value added in production by the labor and property located in a state, and is derived as the sum of the GSP originating in all industries in the state.

[87] Bureau of Economic Analysis (BEA) reports GSP estimates approximately 18 months after the end of each year.

[88] BEA, US Department of Commerce, 2005

[89] CFED, DRC, 2007

[90] Hawaii Tourism Authority, Annual Report to the Hawaii State Legislature, 2006

[91] Bank of Hawaii Economics Research Center, 2006

Tourism Forecast Estimates

	2005	2006	2007
Optimistic assumptions†			
AR(1)*	8.1	8.2	4.8
d(log)**	7.8	6.9	4.9
VAR***	7.3	4.4	3.8
Average	***7.7***	***6.5***	***4.5***
Conservative assumptions††			
VAR2***	0.3	3.4	3.9
Domestic average	***4.0***	***5.0***	***4.2***
Optimistic assumptions			
AR(1)	5.4	1.4	4.9
d(log)	5.8	3.4	4.8
VAR	5.8	2.6	2.9
Average	***5.7***	***2.5***	***4.2***
Conservation assumptions			
VAR2***	1.1	2.9	2.9
International average	***3.4***	***2.7***	***3.5***

Source: Bank of Hawaii Economic Research Center; forecasts based on quarterly data through 2005Q3

*Auto-regressive specification model

**Structural regression model in stationary transforms of the underlying variables (i.e. specified in log changes)

***Vector-autoregressive specification model

†Optimistic forecast assumptions incorporate 3.5% U.S. real GDP growth, 2.5% Japan real GDP growth, constant petroleum prices at $65/barrel, quarterly yen appreciation of 5 yen/dollar for two years absent of anything unforeseen or extraordinary.

††Conservative assumptions incorporate 3.3% U.S. real GDP growth, 2.5% Japan real GDP growth, constant petroleum prices and exchange rates at $65/barrel and 115 yen/dollar, respectively, throughout the forecast horizon.

Economy and affordable housing

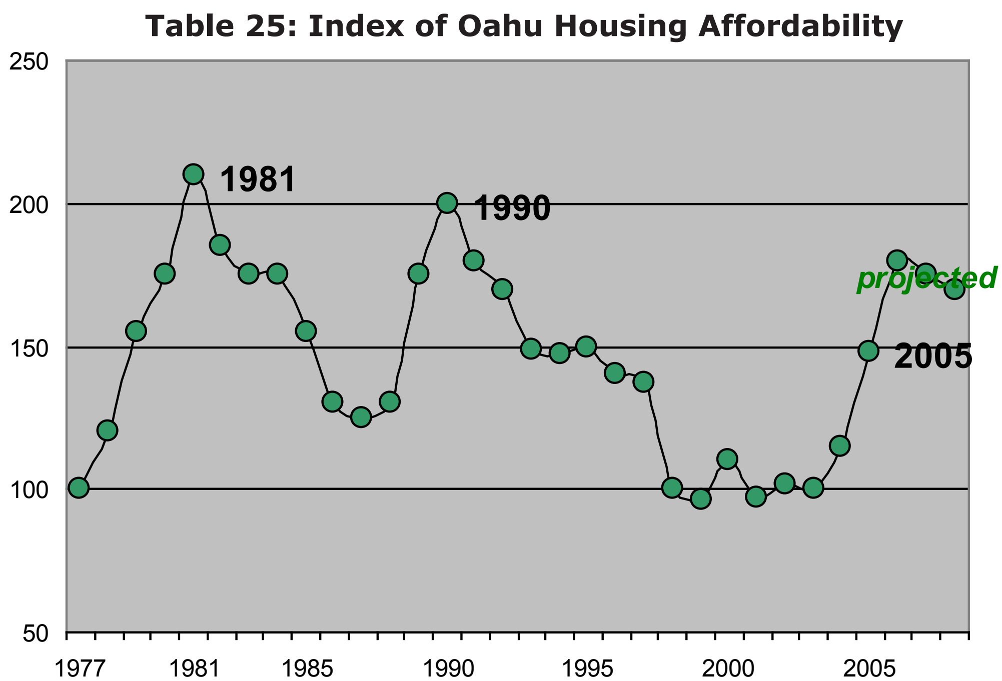
Hawaii has an economy unlike any other state. Even when business is good, high costs and scarce resources can create housing obstacles for many residents. Strong economic growth over the last few years has made it difficult for many Hawaiians to obtain housing or find high-wage or full-time employment. As in other states, the economy and housing are closely linked, but in Hawaii the relationship is especially significant.

While Hawaii's largest industry, tourism, had a substantial impact on the economy in 2005, the increase of visitor arrivals negatively contributed to an already limited rental market. Conversely, in years when tourism is down, as in 2006, the economic welfare of residents is jeopardized because the industry supplies nearly a quarter of the state's total employment. While the economic expansion in 2005 did benefit the state, it also created a tighter job market. The state experienced some wage increases, but the increase failed to keep up with inflation and rising housing costs.

Real estate, the major contributing industry to Hawaii's 2005 GSP, had a significant impact on affordable housing. Dramatic home-cost increases priced moderate-income families, earning up to 140% median income, out of the home-buying market. Renters also were impacted by higher rents inflated by rising demand and higher purchase prices paid by landlords.

Today, the demand for affordable housing has emerged as a critical economic issue. Employers report an inability to find workers for either skilled or unskilled jobs, due to the lack of affordable housing. Although Hawaii's location is alluring, workers balk at the high cost of living. The shortage of affordable housing has already led to a labor shortage, which, in turn, restricts economic growth.

Index of Oahu Housing Affordability



Source: Bank of Hawaii Economics Research Center

Note: 1977 = 100 (higher index connotes less affordability)

Economy and homelessness

Homelessness is not counter-cyclical to economic growth. Instead, an increase in disposable income resulting from economic growth puts pressure on the housing market, and lower-income households are squeezed out of the market. Even though projections for Hawaii's economy show leveling, the economy remains stable, maintaining the new increased level. Therefore, an increase in homelessness is suggested.

The economy affects affordable housing and homelessness. By providing a fuller perspective of housing demand and need in a community, knowledge of the economy is key to nonprofit agencies, housing developers and government officials. Understanding economic industries and their influence on housing — especially affordable housing — offers valuable insight into current and future needs of residents, allowing for an appropriate response in housing project and program development.

Economic forecasts

In Hawaii, 2005 proved an exceptional economic year. The construction industry added jobs at an unprecedented rate, state tax revenue ballooned and residents spent money as personal income growth and home prices soared. By 2006 however, the state experienced a slowdown that is expected to continue well into 2007.

After the real estate upswing ended in 2005, housing prices flattened throughout 2006 and are anticipated to continue in 2007. However, since prices did not "overshoot" to cyclically high levels associated with the previous two cyclical peaks in 1990 and 1981, valuations are expected to remain stable. With the high housing values set in 2005 remaining secure, housing affordability has reached crisis proportions.

The University of Hawaii Economic Research Organization's third-quarter update forecasts job growth to be more than a percentage point weaker from 2006 to 2007. Construction jobs are expected to be flat in 2007 and decline slightly in 2008. With home appreciation largely over and affordability eroded, the volume of residential construction activity is expected to continue to recede gradually. Over the next couple of years, inflation and rising prices are expected to result in a sharp drop in real income growth.

With Hawaii's housing market noticeably cooler and inflation significantly worse over the past year, signs of a slowdown in the local economy are expected to continue through 2007. A somewhat slower economy is likely to cause a deceleration in job growth from an estimated 2.5% in 2006 to around 2.0% in 2007. However, the lower rate of job creation is still considered healthy since the unavailability of workers to fill new positions due to housing cost relocation, will still serve as a constraint on new job growth.

Since price increase, especially in housing and energy, take longer to be reflected in the broader index, inflation is expected to remain high in 2007 at 4.5% to 5.0%. Although Hawaii's real personal income is expected to hold steady at about 2.0% in 2007, steep inflation can diminish personal income lowering inflation-adjusted numbers. With the rise in shelter and energy prices, residents have less discretionary income and tighter household budgets.

Comparative Hawaii Economy Forecasts

January 31, 2006

Annual% changes[92]	Jobs 2002	2003	2004	2005	2006	2007	Personal Income (real) 2002	2003	2004	2005	2006	2007
BOH[93] UHERO[94] Laney[95] DBEDT[96] COR[97]	-0.4 -0.7 -1.0 -0.5	2.3 2.3 2.5 2.2	2.4 2.2 2.0 2.2	2.1 2.7 2.7 2.7	1.6 2.6* 2.5** 1.5	1.5* 2.0**	2.6 2.4 2.5 2.5	3.5 3.4 3.5 3.5	2.3 2.5 2.8 2.5	3.5 3.6 3.6 3.5 4.6	2.6 1.1* 2.0** 2.1† 2.5	1.8* 2.0** 2.3†
Actual	0.3	1.9	2.5	2.8			2.8	1.8	3.4[98]			

January 31, 2006

Annual% changes	Total Visitor Arrivals 2002	2003	2004	2005	2006	2007	Domestic (UHERO: US) Arrivals 2002	2003	2004	2005	2006	2007
BOH UHERO Laney DBEDT COR	-0.1 1.2 3.0 1.8	1.3 -0.3 0.2 -0.6	8.0 7.9 7.0 7.6	7.4 6.7 6.2 6.5 3.8	4.6 0.4* 0.5** 0.3† 2.1	3.9 2.0* 2.4** 2.5†	3.0 3.5	4.5 3.9	6.1 7.8	8.1 6.9	4.0 2.5	3.2
Actual	1.6	-0.8	8.3	6.8			2.8	3.2	7.6	7.4		

Annual% changes	Total Visitor Expenditures 2002	2003	2004	2005	2006	2007	Construction[99] (UHERO) 2002	2003	2004	2005	2006	2007
BOH UHERO Laney DBEDT COR				6.9 7.0	5.4† 5.4	6.0†	13.5	6.3	6.2	12.2 5.5	5.0 3.5	1.8
Actual	8.7	4.7	5.0				16.5	3.1	12.1			

*Third-quarter update and revisions to February 2006 forecast

**Laney update from the First Hawaiian Bank Business Outlook Forum, November 9, 2006

†Hawaii State Department of Business, Economic Development & Tourism update, November 20, 2006

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[92] 2002-2005 "forecasts" are taken from last published forecasts prior to end of each year

[93] Bank of Hawaii, P. Brewbaker, Chief Economist, September 16, 2005 and January 23, 2006

[94] "UHERO Quarterly Forecast Update: Surging Economy Generates Impressive Income Growth," University of Hawaii Economic Research Organization, Bonham and Ganges, November 22, 2005

[95] Laney, Hawaii Pacific University, November 14, 2005

[96] Hawaii Department of Business, Economic Development and Tourism, November 14, 2005

[97] Hawaii Council of Revenues State fiscal year forecast July 2005 to June 2006, September 2, 2005

[98] Preliminary first quarter 2005 estimates released June 22, 2005; this calculation used the Honolulu Consumer Price Index for All Urban Consumers as the deflator

[99] "UHERO Construction Forecast: Tremendous Strength as Cycle Peak Approaches," Bonham, Ganges (UHERO), and Brewbaker (BOH), October 3, 2005

Economic indicators forecasted

Changes to Hawaii's robust economic growth have most recently showed some decreases that will invariably affect the housing and economic development of the state. The following chart shows a brief look at the economic indicators of the state from 2004 to the more recent and forecasted changes from 2006 to 2009.

Actual and Forecast Key Economic Indicators for Hawaii
2004 to 2009

Economic Indicators	2004	2005	2006	2007	2008	2009
	(Actual)		(Forecast)			
Total population *(thousands)*	1,262	1,275	1,289	1,303	1,317	1,330
Visitor arrivals *(thousands)*	6,992	7,494	7,517	7,706	7,880	8,051
Visitor days *(thousands)*	63,343	68,242	69,102	70,789	72,422	74,012
Visitor expenditures *(million dollars)*	10,862	11,904	12,541	13,289	14,020	14,749
Personal income *(million dollars)*	41,178	43,953 1/	47,030	49,851	52,593	55,328
Real personal income *(millions of 2000 dollars$)*	38,088	39,176 1/	39,995	40,921	41,833	42,727
Total wage and salary jobs *(thousands)*	590.7	608.9	624.3	633.7	641.3	649.0
Gross domestic product *(million dollars) 2/*	50,238	54,019 1/	57,692	60,750	63,848	67,041
Real gross domestic product *(millions of 2000 dollars) 2/*	44,683	46,466 3/	47,994	49,161	50,359	51,587
Gross domestic product deflator *(2000=100) 2/*	112.4	1116.3 3/	120.2	123.6	126.8	130.0
Annual percentage change						
Total population *(thousands)*	1.1	1.0	1.1	1.1	1.1	1.0
Visitor arrivals *(thousands)*	8.5	7.2	0.3	2.5	2.3	2.2
Visitor days *(thousands)*	6.9	7.7	1.3	2.4	2.3	2.2
Visitor expenditures *(million dollars)*	8.0	9.6	5.4	6.0	5.5	5.2
Personal income *(million dollars)*	8.9	6.7 1/	7.0	6.0	5.5	5.2
Real personal income *(millions of 2000 dollars)*	5.4	2.9 1/	2.1	2.3	2.2	2.1
Total wage and salary jobs *(thousands)*	2.8	3.1	2.5	1.5	1.2	1.2
Gross domestic product *(million dollars) 2/*	8.3	7.5 1/	6.8	5.3	5.1	5.0
Real gross domestic product *(millions of 2000 dollars) 2/*	5.0	4.0 3/	3.3	2.4	2.4	2.4
Gross domestic product deflator *(2000=100) 2/*	3.2	3.4 3/	3.4	2.8	2.6	2.5

Source: Hawaii State Department of Business, Economic Development & Tourism (DBEDT), 2006

1/ Preliminary

2/ Formerly called "Gross state product" U.S. Bureau of Economic Analysis

3/ DBEDT-adjusted U.S. Bureau of Economic Analysis advance estimate

Hawaii Economic Indicators 2006

Economic Growth Rates	**2005:4**	**2006:1**	**2006:2**	**2006:3**	**2006:4***
Labor force *(thousands)*	642.8	645.6	648.3	654.8	657.7
Persons employed *(thousands)*	625.8	629.0	628.5	637.4	644.8
Unemployment rate *(%)*	2.7	2.5	3.0	2.7	2.2
Occupied jobs *(thousands)*	615.8	621.2	622.5	625.8	628.1
Private building permits *(million $)*	970.7	798.6	925.4	1,021.7	1,001.9
Nonresidential *(million $)*	64.2	75.9	143.9	196.6	325.8
Residential *(million $)*	657.4	494.9	524.3	442.5	363.9
Additions and alterations *(million $)*	249.1	227.9	257.3	382.6	312.2
Housing Indicators	**2005:4**	**2006:1**	**2006:2**	**2006:3**	**2006:4**
Oahu home sales *(units)*	2,914	3,048	2,791	2,376	2,261
Single-family *(units)*	1,079	1,119	1,039	976	922
Condominium *(units)*	1,835	1,928	1,752	1,400	1,339
Single-family median price *(thousand $)*	633.9	637.1	628.7	629.7	632.6
Condo median price *(thousand $)*	300.1	311.0	305.0	313.4	311.6

Source: Bank of Hawaii Economic Research Center, January 2007

* Fourth quarter 2006 estimates based on data through November

Notes

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