

Infrastructure Unlocks Affordable Housing

State of Hawai'i

Office of Planning and Sustainable Development

Draft Application for Public Comment

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Exhibit A: Executive Summary

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Executive Summary:

State of Hawai‘i PRO Housing Round 2 Application “Unlocking Affordable Housing”

For decades, Hawai‘i has suffered from a severe shortage of affordable housing due to steep infrastructure, land, and labor costs, and the most restrictive housing regulations in the country. These factors fuel a chronic housing crisis, where the State has the highest home prices in the nation. Studies show that the State needs to build more than 50,000 new housing units by 2025 to meet growing demand but is on pace to deliver less than a quarter of this supply.

This shortage has helped fuel an exodus of Hawai‘i families during the past several years as the statewide population has declined by more than 15,000 to 1.44 million people. The outmigration had a pronounced impact on the State’s Native Hawaiian population as more Native Hawaiians now live in the continental United States than in Hawai‘i for the first time in Hawai‘i’s history.

The State of Hawai‘i was awarded \$6.6 million of the \$9.9 million requested in Round I of the PRO Housing Grant. This paves the way to address key barriers in producing affordable accessible housing and unlock infrastructure through new financing mechanisms and the acceleration of critical infrastructure deployment.

Like the state at-large, Hawai‘i County is experiencing a housing crisis. In Hawai‘i County, 50% of renters are cost-burdened, meaning they spend one-third or more of their income on rent, and nearly 30% are severely cost-burdened, meaning they spend half or more of their income on rent. Among total households in 2019, 18% were overcrowded and/or doubled up. Where the median single-family home price in Kailua-Kona is nearly \$1 million and the median household income is about \$90,000—many residents are locked out of homeownership opportunities.

In PRO Housing Round II request, the State through the Office of Planning and Sustainable Development (OPSD) requests funds to close the gap, requesting \$3,000,000. This will allow the groundwork planning and design of critical infrastructure to unlock 1,400 predominantly affordable housing units, as well as commercial space, an elementary school, open spaces, and parks. Planning for and designing the necessary infrastructure to support an additional 1,400 housing units will cost approximately \$6,500,000. We have approximately \$2,000,000 committed from PRO Housing Round I, and request an additional \$3,000,000 in Round II. The State has identified \$1,500,000 in matching funds for the request.

These investments are targeted to provide critical investment to unlock new affordable housing units in existing high opportunity areas to advance racial and economic equity and fair housing initiatives. Further, these infrastructure investments will address the historic, socio-economic disparities experienced by Native Hawaiians and other marginalized communities, who are disproportionately low-income and face compounding barriers in accessing affordable housing.

Exhibit B: Threshold Requirements

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Threshold requirements and other submission requirements

1. There are no outstanding Civil Rights Matters for the State of Hawai'i.
2. The State of Hawai'i is an eligible applicant [00 (State Governments)].

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Exhibit C: Need

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- i. Demonstrate your progress and commitment to overcoming local barriers to facilitate the increase of affordable housing production and preservation, primarily by having enacted improved laws and regulations.

An overview of historic efforts to **identify drivers** of the State's housing crisis provides an essential context for **recent policy changes, community planning strategies, and initiatives** related to increasing new affordable housing and protecting existing affordable housing. Since statehood, state agencies, affiliates, and third-party reviewers have sought to understand the barriers to producing and preserving affordable housing for the State's population. In the last two decades alone, the following studies have sought to **map housing needs throughout the State, identify barriers in affordable housing production and preservation, and provide recommendations:**

- [Report to the 23rd Legislature, State of Hawai'i, Requesting the Convening of an Affordable Housing Task Force \(2005\)](#)
- [Report of the Governor's Affordable Housing Regulatory Barriers Task Force \(2008\)](#)
- [Special Action Team on Affordable Rental Housing Report to the Hawai'i State Legislature \(2016\)](#)
- [Analysis of Impediments to Fair Housing Choice with a Focus on People with Disabilities \(2016\)](#)
- [Hawai'i Housing Action Plan \(2017\)](#)
- [State Housing Functional Plan \(2017\)](#)
- [Affordable Rental Housing Report and Ten-Year Plan \(2018\)](#)
- [Revised Citizen Participation Plan \(2018\)](#)
- [Analysis of Impediments to Fair Housing: Phase 1 Report \(2019\)](#)
- [CDS Housing Needs Report 2019-2020](#)
- [Regular Housing Planning Studies](#)
- [Annual Action Plans for HOME, ESG, and HOPWA Programs](#)
- [Consolidated Annual Performance and Evaluation Reports for HOME, ESG, and HOPWA](#)

These studies consistently identify **the following systemic barriers to achieving the State's affordable housing goals:**

- Lack of investment in critical infrastructure to build affordable housing;
- High costs of land;
- Duplicative and highly restrictive state and county land use regulations;
- Lack of specified requirements for affordable housing development that could maximize new housing units through standards and reduced land development requirements;
- Broad interpretation for environmental impact statement and environmental assessment requirements that curtail the development of new affordable housing projects;
- Lack of protections for renters;
- Legislative and judicial challenges;
- Insufficient state financing mechanisms for affordable housing;
- Insufficient incentives for developers to build affordable housing, including tax credits, fee waivers, and density bonuses;

- Community opposition to new affordable housing developments, particularly those located in high-income communities;
- High prevalence of vacant housing units and short-term rental units; and
- Expiring affordability requirements on existing affordable housing stock.

a. Improved laws, regulations, or land use local policies

Housing was one of the most important themes during the 2024 State of Hawai'i legislative session, when many of the improved laws and regulations outlined below were drafted and approved. While the measurable impacts are still yet to be seen, as these improvements were only signed into law within the last few months, research points to key milestones achieved in this legislative session as critical to making housing costs more affordable for the state's local families.

Most notably, this includes **land-use policy improvements** such as regulating short-term rentals, enabling adaptive reuse of commercial buildings for residential uses, and expanding by-right zoning for accessory dwelling units (ADUs). The Governor signed the following laws to address previously identified **barriers to housing production and preservation**:

Barrier: High prevalence of vacant housing units and short-term rental units

- Act 017 (SB 2919); HRS: 46-4, 237D-1; Regulating Short-Term Rentals
The acute housing crisis as a result of the 2023 Maui wildfires, highlighted the impact of short-term rentals on the state's housing crisis, where in some counties STRs represent [15% of the total housing stock](#). The legislation gives counties more flexibility to regulate short-term rentals and authorizes counties to determine the time, place, manner, and duration of land and structure use through zoning ordinances. In some counties, like [Maui County](#), this could bring 7,000 housing units back into the permanent housing stock by 2026. Counties are also authorized to phase out short-term rentals over time if they are classified as non-residential. The legislation is intended to promote use as long-term rentals and will lead to **increased preservation** by giving counties the power to bring housing stock currently used as short-term vacation rentals back into the residential housing market.

Barrier: Lack of investment in critical infrastructure to build affordable housing

- Act 034 (SB 2133); HRS: 201H-72, 201H-191.5; TOD Infrastructure Financing
Infrastructure persists as the top identified barrier to housing production. There are few financing mechanisms that exist for infrastructure, and often costs to build critical infrastructure are [passed along to housing developers](#), thus driving up the cost of housing. The legislation expands the Hawai'i Housing Finance and Development Corporation's ability to finance infrastructure that enables affordable housing development. This legislation will lead to **increased production** as it enables bonds, previously restricted from financing infrastructure costs, to finance critical infrastructure, such as roads and utilities, critical to housing development.

Barrier: Insufficient state financing mechanisms for affordable housing

- Act 035 (HB 1760); HRS: 39B-5, 201H-202; Bond Volume Cap Recycling
Every year, HHFDC and the counties receive more applications for bond financing than HHFDC can award under its volume cap. By recycling private activity bonds, HHFDC and the counties can stretch their resources further to support more affordable housing projects. This legislation will lead to **increased production**. HHFDC estimates that if \$100 million of private activity bonds are recycled each year, it would support the production of 500 additional affordable housing units.

Barrier: Duplicative and highly restrictive state and county land use regulations

- Act 037 (HB 2090); HRS: 46, 107-26; Enabling Adaptive Reuse of Commercial Buildings
The act allows new housing units in business districts by specifically permitting residential use, thereby eliminating the need for a change in zoning. The act also promotes adaptive reuse—or the conversion of existing commercial buildings, such as office buildings, into housing units. This will unlock thousands of new housing units in downtown areas and allows people to live closer to where they work and play. Besides the **increased production** of new housing units, this new law will help reduce work commutes, traffic congestion, and carbon emissions.

Barriers: Duplicative and highly restrictive state and county land use regulations; lack of specified requirements for affordable housing development that could maximize units through standards and reduced land development requirements; and insufficient incentives for developers to build affordable housing, including tax credits, fee waivers, and density bonuses.

- Act 038 (HB 2066); HRS: 201H-38, 201H-41; Expanding Expedited Entitlements Program
The 201H-38 Expedited Processing and Review Program is another important new tool to bring down the cost for developers. The legislation provides a streamlined approval process with various permitting, zoning, and fee exemptions, which can bring down the cost per unit for new housing developments. While previously reserved solely for affordable builders, now housing projects that are offered exclusively to local residents who don't already own a home can access the same permitting and zoning exemptions as affordable housing developments. This will lead to **increased production** by providing additional pathways for streamlined entitlements for new housing construction.

Barriers: Duplicative and highly restrictive state and county land use regulations; and community opposition to new affordable housing developments, particularly those located in high-income communities.

- Act 039 (SB 3202); HRS: 205, 206, 46-4, 46-143; Expanding By-Right Zoning for ADUs
To expand diverse housing options available for local residents, particularly for middle-income and multi-generational households, counties must now allow at least two accessory dwelling units (ADUs) to be built on residentially zoned lots if infrastructure capacity is available, such as enough water, sewer, and electrical capacity. New ADUs cannot be used as short-term rentals and must follow the counties' development and permitting standards, such as setback requirements. This will lead to **increased production** by increasing the allowable

number of ADUs on residential lots for local families, including in high-income communities that have historically blocked new housing development.

b. Other recent actions taken to overcome barriers to facilitate the increase of affordable housing production and preservation.

Barrier: Duplicative and highly restrictive state and county land use regulations; insufficient incentives for developers to build affordable housing, including tax credits, fee waivers, and density bonuses

Governor Green signed the *Emergency Proclamation Relating to Affordable Housing* on September 15, 2023. It addresses critical barriers in expanding affordable housing options by:

- Prioritizing affordable housing development projects where new additional units will serve primarily those at or below 140% of the area median income (AMI);
- Allowing more flexibility in zoning and other county-level building requirements to prioritize adaptive reuse and mixed-use communities;
- Amending processes under Section 201H-38, Hawai'i Revised Statutes (HRS), relating to expedited processes for affordable housing developments on state and county lands to shorten approval times;
- Expediting procurement, which adds costly delays to state and county projects;
- Allowing more flexibility for hiring critical staff in agencies or contractors to implement and regulate the housing development process to fill over 300 identified vacancies; and
- Exempting affordable housing developers from school impact fees and general excise taxes so long as 60% of their projects are priced at affordable levels. So far, five affordable housing projects totaling nearly 1,600 units have taken advantage of the school impact fee waiver, which will reduce the developers' costs by more than \$6 million, or about \$3,800 per apartment unit.

ii. Do you have an acute need for affordable housing? What are your remaining affordable housing needs and how do you know?

All five counties in the State of Hawai'i are deemed priority geographies by the U.S. Department of Housing and Urban Development (HUD) in the PRO Housing Notice of Funding Opportunity (NOFO). Communities across the islands face a lack of affordable accessible housing units, high land costs, regulatory and administrative barriers that limit capacity to build housing, and lack of infrastructure necessary to expand housing options. The State's award from the first round of PRO Housing is intended to cover all geographies in the state, through the establishment of an infrastructure financing mechanism and catalytic infrastructure investments to unlock housing.

The State requested \$9.9 million and received a \$6.6 million allocation in PRO Housing Round I. In the adjusted action plan, the State was unable to fund the entirety of the catalytic infrastructure investment to unlock nearly 1,000 affordable housing units and nearly 2,000 total housing units in Hawai'i County. The Hawai'i County project will likely receive about \$2,000,000 instead of

the initially-requested \$6 million. This Round 2 application requests funding for the remaining infrastructure design needs. **The requested funds will unlock housing opportunities for Hawai‘i County, which is designated as a priority geography in the PRO Housing NOFO.**

The following section further outlines the extreme housing needs for Hawai‘i County and the unique needs for housing at or below 80% AMI for residents in the broader Kailua-Kona area. The data discussed is pulled largely from the 2019 Hawai‘i Housing Planning Study¹ conducted for HHFDC, the 2024 Hawai‘i Housing Factbook produced by the University of Hawai‘i Economic Research Organization (UHERO),² and the Affordable Housing Dashboard produced by Hawai‘i County.³

Statewide Context

Hawai‘i has conducted comprehensive supply and demand assessments for both the for-sale and rental housing markets. The Hawai‘i Housing Planning Study series began in 1992 to comprehensively assess Hawai‘i housing markets. The Hawai‘i Housing Finance & Development Corporation conducted its most recent report in 2019 to provide comprehensive analyses of housing inventory, demand, prices, development, and projections for 2025; housing for special needs groups and Native Hawaiians; homelessness; and tourism impacts on housing availability.

The State of Hawai‘i will need 50,156 new housing units by 2025 to address housing demand. Demand projections for additional housing units consider the existing pent-up need for housing due to chronic shortages in housing stock, projected population changes, and the state of homelessness.

Of the over 50,000 units needed, 56% of the total projected units are needed to address pent-up demand due to chronic housing shortages. Most of the units needed by 2025 will need to be affordable; more than **26,000 additional affordable units—52% of the total units needed—will be required for people making at or below 80% area median income (AMI)**. An additional 6,055 units will be needed for those at 80-120% AMI.

Hawai‘i has a statewide shortage of affordable and available housing, particularly for populations at or below 80% AMI. The shortage of housing is particularly severe for very low-income and extremely low-income populations in the State.

In 2024, the National Low Income Housing Coalition found that for every 100 renters at 100% AMI in Hawai‘i, there were only 88 affordable units available. At 80% AMI, the supply is even more scarce: There were only 73 affordable units available per 100 renters. At 50% AMI, only

¹ https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf

² <https://analytics.uhero.hawaii.edu/housing/factsheet-builder/96740/results?topics=housing-stock,rental-market,property-market>

³ <https://experience.arcgis.com/experience/f62052d0da604de79fa2b3e1e36370ea/page/Maps/>

39 units are available. At **30% AMI, the supply plunges to 34 units available per 100 renters.**⁴

According to 2023 data from the National Low Income Housing Coalition, there is a shortage of nearly 27,000 rental homes that are affordable and available for low-income renters. **Over the next ten years, nearly 1,800 rental homes with an affordability requirement will expire, and over 3,000 homes face an immediate need for investment and repairs.**⁵

PRO Housing Priority Geography: Hawai'i County

Hawai'i County is identified as a priority geography by HUD in the PRO Housing NOFO. Hawai'i County at-large and the Kailua-Kona area, which the infrastructure investment will directly serve, both experience extremities of the three measures identified in the NOFO.

Affordable housing not keeping pace

Estimates show that Hawai'i County will need 13,303 new units by 2025 to meet demand, representing 27% of the total need for additional units across the State. **Of these units, 7,489 (56%) will need to be affordable for those at or below 80% AMI, and an additional 2,143 units will be needed for those between 80-120% AMI. Nearly 30% of additional units are needed for those at or below 30% AMI.**

To meet the demand for housing by 2025, Hawai'i County needs to make available an average of 2,660 additional units per year. **Hawai'i County is well off pace to meet the demand for new housing units by 2025.** Between July 2020 and July 2022, Hawai'i County saw an additional 1,751 new housing units, or 876 units per year—a third of the average number of units needed to be produced per year.

In Hawai'i County, there are **8,167 units in the pipeline** for development at various stages. The catalytic infrastructure requested in this application will help support a state affordable housing project that comprises a significant portion of the potential future affordable housing stock in the Kailua-Kona area.

Insufficient Affordable Housing

In Hawai'i County, there are 3,378 units currently subject to affordability restrictions. According to the 2019 Hawai'i Housing Planning Study, the demand for units at or below 80% AMI will hit 7,489 units by 2025. There will be an additional demand of 2,143 units between 80 and 120% AMI by 2025.

According to our best estimates, 800 additional affordably restricted units will be completed by 2025. This represents a severe shortfall in available affordable housing in the county at-large.

This will only worsen the county's rising homeless population. According to the 2024 Point-in-Time Count, the Kailua-Kona area has the second largest prevalence of **unsheltered**

⁴ [Hawaii | National Low Income Housing Coalition \(nlihc.org\)](https://www.nlihc.org/)

⁵ [PD-Profile 2023 MERGED-HI.pdf \(preservationdatabase.org\)](https://www.preservationdatabase.org/PD-Profile_2023_MERGED-HI.pdf)

homelessness in the County, where 28% of those experiencing unsheltered homelessness reside in North or South Kona.

In Kailua-Kona, the annual income needed to afford a mortgage on a median priced, single-family home is \$205,628, which is **over double of the area's median household income** of \$90,094. The median single-family home price in 2023 was \$985,000 and the median condominium price was \$550,000.

Out-of-state buyers represented 36% of the single-family homes purchased in 2023, and 58% of condominiums, making it harder for local residents to access current housing stock and indicating significant **displacement pressures**. The median rent in 2023 was \$2,700 compared to \$1,800 county-wide, according to Craigslist.⁶ In Kailua-Kona, 18% of the local housing stock – or about 3,470 units – is used as vacation rentals. This threatens **displacement** of thousands of local families. These factors **represent a significant need for housing options for those at or below 80% of the area median income (AMI)**.

Widespread Housing Cost Burden or Substandard Housing

In Hawai'i County, 50% of renters are cost-burdened, meaning they spend 30% or more of their income on rent, and 27% are severely cost-burdened, meaning they spend 50% or more of their income on rent. Among total households in 2019, 18% were overcrowded and/or doubled up. A FFY 2023-2025 Community Needs Assessment conducted by the Hawai'i County Economic Opportunity Council found that 38.88% of the total housing units had substandard housing conditions.⁷ In the county's Kailua-Kona district, **nearly 50% of renters are cost-burdened, and nearly a quarter of renters are severely cost-burdened**. This does not account for the multitude of residents who commute for upwards of an hour to Kailua-Kona for work from other communities because they cannot currently afford to live in the area due to a severe shortage of available and accessible affordable housing for those at or below 100% AMI.

- iii. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

Over the past few decades, the State of Hawai'i has invested significant resources to identify key barriers that exist in producing and preserving affordable housing. The most recent effort to identify barriers to affordable housing production is Act 305, Session Laws of Hawai'i 2022. Known as the "Yes In My Back Yard Act," Act 305 creates an affordable housing working group co-chaired by the executive directors of HHFDC and the Hawai'i Public Housing Authority (HPHA). Members include representatives from the Hawai'i Senate and House of Representatives, the State Land Use Commission, the State OPSD, the Hawai'i Community

⁶<https://analytics.uhero.hawaii.edu/housing/factsheet-builder/96740/results?topics=housing-stock,rental-market,property-market>

⁷ <https://labor.hawaii.gov/ocs/files/2024/06/DRAFT-CNA-Report.pdf>

Development Authority, each county agency, and other stakeholders. The YIMBY Working Group prioritized **infrastructure as the top barrier to increasing the production of affordable housing, which is at the core of the State’s grant proposal.**

Infrastructure as a Barrier

The State of Hawai‘i has not been able to keep up with necessary investments in infrastructure. Infrastructure such as wastewater, potable water, drainage, and electrical systems are necessary to support new housing development. Current infrastructure deficits continue to delay and hinder housing production. Construction of infrastructure is complicated by environmental issues (proximity to sensitive resources, including the shoreline and ocean), historic matters (Native Hawaiian burial grounds are located throughout the islands), and the need to respect indigenous cultural practices. Economies of scale are limited in the State because lower population sizes span over a larger geographic distance within and among the islands.

The State of Hawai‘i has some of the highest construction costs in the nation. Due to the state’s geographic remoteness, most construction materials are imported from great distance, adding to cost and delivery time. The global supply-chain crisis that arose from the COVID-19 pandemic exacerbated this condition, and the emerging geopolitical confrontations threaten to do so even further. Additionally, the shortage of local, skilled labor drives up construction costs sharply.

Given the State of Hawai‘i’s small resident population—especially in comparison to the annual number of tourists—it has limited funds for tax credits and bonding capacity. While the majority of the State’s bond capacity is regularly used for infrastructure, it cannot keep pace with necessary maintenance, let alone upgrades. The State also lacks innovative ways to finance offsite infrastructure so that costs can be shared between public and private landowners.

In response to various studies documenting the issue, the Hawai‘i State Legislature appropriated \$500,000 in 2022 to develop strategies to overcome barriers to funding, financing, and constructing public infrastructure in the state. Those strategies include the testing of potential options in four pilot transit-oriented development areas (TOD Pilot Areas) in the four counties of the State: Honolulu, Hawai‘i, Kaua‘i, and Maui. **In Hawai‘i County, Kailua-Kona is one of these TOD Pilot Areas, where over \$60 million in infrastructure investments have been identified** to unlock critical affordable housing for local residents.

Other Barriers

Key legislative movements outlined above in Section C.i. have made significant headway in addressing the following seven critical barriers identified by the YIMBY working group. In addition, staff will be hired with funding provided from Round I of the PRO Housing Grant program to analyze and address the following critical barriers to housing production:

- Infrastructure capacity
- Zoning ordinances
- Housing policies
- State land use district amendments
- Financing
- Vacant and underutilized public lands
- Cultural resources

Exhibit D: Soundness of Approach

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i. What is your vision?

The proposal aims to overcome barriers to producing affordable housing in Hawai'i by:

- Advancing and expanding upon the PRO Housing Round 1 award of \$6.6 million and the State's progressive housing efforts initiated to date; and
- Accelerating the strategic deployment of critical infrastructure in a high-opportunity area of Hawai'i County to unlock desperately needed housing statewide.

To execute this vision and **enable increased production** across the entire state for a sustained timeframe, the proposal specifically entails completing the infrastructure for Kamakana Villages on Hawai'i Island. The reduced award provided in Pro Housing Round 1 allowed us to fund approximately \$2,000,000 of the total cost, so we are now asking for \$3,000,000 to complete the project and unlock the full potential of the TOD Pilot Area supported through the infrastructure investments.

Proposed Activities, Given Identified Need and Capacity to Implement:

Accelerating the strategic deployment of critical infrastructure—which the YIMBY Working Group identified as the number one barrier to affordable housing—to unlock desperately needed housing.

Kailua-Kona is a high-opportunity area, the most expensive neighborhood in Hawai'i County and one of 25 opportunity zones in the state. While the county-wide median single-family home price is \$447,000, the median single-family home price in Kailua-Kona is \$985,000 and the median condo price is \$550,000. The median household income is \$90,094, leaving most families locked out of homeownership opportunities. A household would need to make \$205,068 a year to afford the median single-family home price. Seniors 65 years and older comprise 21% of the population and lack adequate affordable housing options.

In 2020, the State Legislature funded the *Hawai'i TOD Infrastructure Financing and Delivery Strategy for Pilot Areas*. The Ane Keohokalole Highway Corridor was identified as a TOD Pilot area because of its existing high likelihood of redevelopment as a key TOD area and lack of sufficient infrastructure. The study – completed in 2023 – examined the role of value capture and alternative delivery tools in filling gaps in the infrastructure funding and delivery capacity of the Counties and the State. The pilot area alone could accommodate a minimum of 4,000 housing units.

Figure 2: Kamakana Villages and the Ane Keohokalole TOD Highway Corridor

Within the highway corridor lies HHFDC's Kamakana Villages Master Plan. If realized, Kamakana Villages would provide a variety of housing options, including low-income rental housing, middle-income for-sale housing, and some market-rate housing. The project's first phase was completed in 2018, providing 170 affordable rental units for low-income seniors and families in Kailua-Kona. This addresses the need for affordable housing for low-income families and for low-income seniors and their families.

According to research reported in the *Hawai'i TOD Infrastructure Financing and Delivery Strategy for Pilot Areas in 2023*, the project has already built for low-income seniors and families. The proposed expansion of Kamakana Villages will unlock at least 1,400 predominantly affordable for-sale and rental housing units, as well as commercial space, an elementary school, open spaces, and parks. These two adjacent projects are located along the Ane Keohokalole Highway Bus Transit trunk line within the Keahuolu Village Neighborhood transit-oriented development area. **This project is currently stalled as a direct result of a lack of adequate infrastructure.**

This development is included in the *State of Hawai'i Strategic Plan for Transit-Oriented Development* and is in the current pipeline for projects that could benefit from the Governor's 2023 *Proclamation Relating to Affordable Housing*. The developer's latest estimate of

infrastructure costs for Kamakana Villages is \$58,500,000.

Figure 2: Kamakana Villages Rendering, from County of Hawai‘i



In summary, the State of Hawai‘i’s proposal directly addresses the barriers identified in **III.F. 1 National Objectives and III.F.2 Eligible Activities**. The proposed activity is eligible pursuant to section 105(a) of the Housing and Community Development Act of 1974 and applicable program regulations at 24 CFR part 570, as applied and modified by the NOFO. The relevant National Objectives and Eligible Activities are as follows:

Response to Barriers	National Objective	Eligible Activity
Major Barriers: Infrastructure and Financing		
Planning and design of infrastructure for Kamakana Villages	Benefits low- and moderate-income persons	Facilitate affordable housing production and preservation

Addressing Key Barriers to Affordable Housing Production

The **key barriers** to housing production were identified by the YIMBY Working Group, discussed in C.iii. They include inadequate infrastructure; land use restrictions; zoning; and other regulatory, administrative, and legislative barriers. Between our PRO Housing Round 1 and 2 proposals, we will overcome many of these needs. The Round 2 request specifically allows us to complete the infrastructure planning and design work initiated with Round 1 funds.

Recent legislation passed in the 2024 Hawai'i State Legislative Session that addressed key barriers to affordable housing production will **pave the way to make the Kamakana Villages infrastructure investment even more catalytic:**

- **Act 034** authorizes HHFDC to *issue bonds for housing project infrastructure* to finance the development of regional infrastructure projects, particularly in transit-oriented development areas. While this grant proposal will fund the planning and design of infrastructure, additional funding will be needed for future phases of the infrastructure improvements. HHFDC will now be able to issue bonds to finance infrastructure investments for projects like Kamakana Villages.
- **Act 039** requires counties to allow at least two ADUs to be built on residentially zoned lots. The original master plan for Kamakana Villages includes plans for 637 single-family homes. With this passed legislation, the developer can now factor in additional ADUs on the single-family parcels. This will allow options for more types of housing for overcrowded families in the area and allow potential rental income from ADUs to help future local families qualify for their mortgages.

In addition, the *Proclamation Relating to Housing* was first signed by Governor Green on July 17, 2023. The Governor used his authority as provided by the State Constitution and laws of the State of Hawai'i to provide relief for disaster damages, losses, and suffering, and to protect the health, safety and welfare of the people. The severe shortfall of affordable housing prompted the *Proclamation*, among other initiatives from the Governor's office to address the housing crisis. The shortfall is also now the reason why the State is applying for this second PRO Housing Grant. On September 15, 2023, Governor Green signed the *Proclamation Relating to Affordable Housing*, and subsequent proclamations were reissued approximately every sixty days, with the latest signed on August 15, 2024. The *Proclamations* aims to facilitate the development process and empower stakeholders to contribute to the creation of affordable housing for Hawai'i residents. The *Proclamations* reflect extensive input from state and county agencies and community stakeholders. The current *Proclamation* is a continuation of the groundbreaking and visionary work launched by the Green Administration and the many housing stakeholders in Hawai'i to eliminate the barriers to developing affordable housing.

This proposed approach is expected to succeed in removing the identified barriers. The solutions have already been identified, vetted, and included in various studies prepared for and by the State. Housing shortages and regulatory solutions are captured in the County Council-adopted community development plans for Hawai'i Island, including:

- *Consolidated Plan, 2020 Action Plan* identifies infrastructure as the first "Strategy to remove/ameliorate the barriers to affordable housing" and suggests building permits can be expedited by "creating design standards for workforce housing, as well as transit-oriented development."
- *Hawai'i TOD Infrastructure Financing and Delivery Strategy for Pilot Areas (2023)* was funded by the state legislature in recognition of the lack of sufficient infrastructure – with particular interest in examining the role of value capture and alternative delivery tools in filling gaps in the infrastructure funding and delivery capacity of Counties and the State.

These studies have identified the State's approach of funding infrastructure as catalytic to significantly increasing the production and preservation of affordable housing. If our Round 2 request is funded, the effort will unlock the production of at least **1,400 new mixed-income housing units**—including low- and middle-income households.

Housing shortages have long existed in Hawai'i. The State regularly funds infrastructure improvements and permits and builds affordable housing. In this way, **the proposal aligns with and advances local efforts to remove land use barriers to housing production.**

Similar Efforts and Lessons Learned

Designing infrastructure is the first step toward realizing housing goals. Once designed, the project can complete an environmental review and be included in State and local Capital Improvement Programs. Infrastructure designs move a housing project from a conceptual plan towards implementation; it makes a project real. The **lesson we have learned** in Hawai'i is that funding infrastructure designs lead to funding housing production.

While Hawai'i has not been able to build at the scale needed to address demand, the state has had **success in planning for and building affordable housing.** For example, in Fiscal Year 2022, HHFDC assisted in the delivery of 1,531 units while managing assets totaling approximately \$1.7 billion. [Since its inception in 2006, the Hawai'i Housing Finance & Development Corporation facilitated the development of 13,741 affordable and workforce units statewide.](#)

The HHFDC also has the capacity to **fund and finance infrastructure improvements** in the same way that the Hawai'i Green Infrastructure Authority offers loans to homeowners who wish to reduce energy costs with the installation of solar panels. Through its Dwelling Unit Revolving Fund, the HHFDC has financed infrastructure improvements at Lima Ola on the island of Kaua'i and Varona Villages on the island of O'ahu.

The 2023 *Hawai'i TOD Infrastructure Financing and Delivery Strategy for Pilot Areas* found that more capital can be raised and used in a more comprehensive manner through the creation of an Infrastructure Bank, modeled after a similar infrastructure financing entity in the state of Rhode Island. HHFDC **and the Hawai'i Green Infrastructure Bank have succeeded** at institutionalizing processes that are reasonably straightforward to implement, understood by the local population, and can be monitored. The Infrastructure Bank funded by PRO Housing Round 1 will **emulate the work of these two entities** and build on their successes. This new Infrastructure Bank may even be joined to one or both of these entities, depending on necessary research and communications with these entities.

Advancing Existing Planning Initiatives, Updating Local Land Use Policies and Assets
Our proposal aligns with existing planning initiatives. In 2016, Act 130, SLH 2016 (SB 3077) was signed into law designating the OPSD as the lead state agency to coordinate and advance smart growth and TOD planning in the State. This includes the TOD Council's [State of Hawai'i Strategic Plan for Transit-Oriented Development](#) (updated in March 2023), which identifies the need for infrastructure funding and financing.

One of the key principles identified in the plan is equitable development. The *Strategic Plan* recognizes that **transit-oriented development occasionally results in gentrification and displacement**. As such, the plan recommends strategies such as “community engagement, supportive land use policies, capital investments, small business/entrepreneurship programs, and tax credit programs” (from pages 1-14). This proposal includes statewide efforts to assist with infrastructure investments. It will result in **new housing opportunities in areas that allow current and future residents to access public transit, jobs, public services, or other amenities**. Because multi-family residences are typically in TOD areas, and TOD areas are by their very nature mixed-use, the proposal **supports job creation and retention efforts**.

Significant Environmental Risks and Efficiently Promoting Community Resilience

Climate change – and specifically the increased likelihood of wildfires and impacts of sea level rise – is Hawai'i's greatest environmental risk. As we experienced on Maui on August 8, 2023, within a few hours, an entire community was destroyed, 102 people were killed and thousands more were either injured or displaced by the wildfires. As described in *HUD's Community Resilience Toolkit*, when we build infrastructure in low- and moderate-income areas, we will consider how natural hazards might affect the facility during its expected lifetime. Public infrastructure can be more resilient to hazards by using different building materials and practices, carefully choosing building locations, retrofitting older buildings, and enhancing landscaping. **The Kamakana Villages location was specifically chosen for development because it avoids impacts from sea level rise and coastal storms.**

Roadblocks that Might Impede Implementation

Kamakana Villages is a large redevelopment project, spanning two existing project sites. In addition to communicating the project to existing residents and ensuring that no disruption to their lives will occur, the project involves new commercial space, an elementary school, open spaces, and parks. These two adjacent projects are both located along the Ane Keohokalole Highway Bus Transit trunk line within the Keahuolu Village Neighborhood transit-oriented development area. Kamakana Villages is HHFDC's 272-acre, master-planned community, and as such the agency has a vested interest in the success of the project. HHFDC expects to assist with the funding and financing of the construction. As such, we expect that any roadblocks will be addressed.

ii. What is your geographic scope?

The proposal will **benefit Hawai'i Island, the largest by land mass of the Hawaiian islands**. It builds upon the statewide institutional structure created with PRO Housing Round 1 funds for overcoming regulatory land use barriers to the production of affordable housing and creates a comprehensive financing mechanism for infrastructure investments. The proposal will lead to the **creation of affordable housing units in high-opportunity areas and to the expansion of opportunity in underserved communities** by unlocking proposals to develop affordable, mixed-income, mixed-use, and transit-oriented communities. **Maps, drawings, and renderings** of the project are included in section [Soundness of Approach (D)(i)].

iii. Who are your key stakeholders? How are you engaging them?

Hawai'i's *2023 Annual Action Plan of the Consolidated Plan* describes the State's funding plans for the coming program year and certifies program compliance with the Consolidated Plan, HOME, ESG, and HOPWA programs. Outreach was conducted to satisfy 24 CFR part 91. It included a series of virtual and in-person public hearings by each of the counties and the Hawai'i HHFDC to solicit input on housing and homeless needs and priorities. Public hearing notices were published in regional newspapers and in the *Honolulu Star-Advertiser* (a newspaper of general circulation) in September of 2024. A virtual and in-person public hearing was in October 2024. A summary of the comments received is included in the *2024 Action Plan*.

In addition to the outreach conducted for the *2024 Action Plan*, the **State's Transit-Oriented Development Council** meets regularly to:

- Implement the State's strategic plan for TOD, including mixed-use, affordable, and rental housing projects;
- Facilitate funding for TOD programs and projects;
- Monitor TOD implementation and recommend needed policy and statutory changes; and
- Review Capital Improvement Project requests for TOD on State lands.

The meetings are open to the public and comply with Hawai'i's Sunshine Laws. With representation from state and county governments and the community, the TOD Council serves as a forum for TOD planning and policy development. The Council is co-chaired by the directors of OPSD and HHFDC.

By law, all counties in the State of **Hawai'i are required to engage in long-range planning**. The general plans and community development plans produced and updated regularly involve a significant amount of public outreach. Public sentiment is both captured and reflected in plans that are ultimately adopted by the county councils. Such plans generally use a variety of **virtual and in-person mechanisms** intended to engage persons with unmet housing needs; residents of public or other affordable housing units; persons from all protected class groups under the Fair Housing Act; local and regional public agencies that provide funding or technical assistance for housing, transportation, and social services; community organizations, especially those that represent protected classes; private and non-profit housing developers; community land trusts; advocacy organizations and legal groups; and business and civic leaders.

A public comment period starting on September 19, 2024 and ending on October 4, 2024 and a public hearing conducted on October 2, 2024 for the specific purposes of this proposal allowed opportunity for community feedback. Comments are addressed in the appendix. The engagement process follows Hawai'i state guidelines and practices. Information about the NOFO and how to submit public comment was published in news media outlets, including online, print, and radio, and on the Governor's website. Outreach was conducted in 14 commonly spoken languages.

The HHFDC—which has extensive experience in affordable housing finance and construction—was consulted at length to identify priority activities for this NOFO, and have provided \$1.5 million in matching funds for the infrastructure planning and design project. In addition, relevant state and county leadership and agencies and housing and community

development experts and construction union members were consulted in the development of this proposal.

This proposal builds largely on work that has been vetted by the public and through the YIMBY Working Group and the State Transit-Oriented Development Council. The YIMBY Working Group has outlined barriers to the production of affordable housing through exhaustive stakeholder engagement of state and county agencies, members of the State Legislature, and other relevant stakeholders. The proposed grant activities aim to provide further capacity building to address these identified barriers. The TOD Council includes 25 members representing state and county executive leadership, relevant agencies, and business, developer, and community leaders. **Specific stakeholders include developers, housing experts, builders/general contractors, and unions as well as persons in need of affordable housing.**

The activities in this grant proposal aim to provide **concrete funding to execute recommendations identified by these stakeholders, where due to an existing lack of funding, proposals have not already been implemented.** The activities outlined in this proposal have been extensively vetted by the public and housing and planning experts through existing processes. **Continued outreach** will occur during the grant's period of performance by the housing team that will be hired with the PRO Housing Round 1 award.

iv. How does your proposal align with requirements to affirmatively further fair housing?

With funds awarded by PRO Housing Grant Round 1, a professional team will be hired to work with the counties to **address barriers to the development of affordable housing in well-resourced areas of opportunity** and to institutionalize funding and financing mechanisms to assist with expediting investment in infrastructure. The YIMBY Working Group identified inadequate infrastructure as the primary impediment to housing production.

The proposal will **increase access for underserved groups** by funding the planning and design of infrastructure that will benefit a TOD pilot area where housing production has stalled due to the lack of infrastructure.

The **racial composition** of the people or households who are expected to benefit from the proposed grant activities reflect the demographics of Hawai'i County. According to the 2022 population estimates of the [US Census](#), Hawai'i County's racial composition is:

Two or more races	36%
White alone	30%
Asian alone	18%
Native Hawaiian and Other Pacific Islander alone	13%
Black or African American alone	1%
American Indian and Alaska Native alone	.4%

Hawai‘i is a racially and ethnically diverse state. Given Hawai‘i’s demographics and unique history, the State has barriers in achieving housing equity that differ from the **racial segregation** caused by redlining and commonly identified in communities elsewhere in the U.S. **Data consistently shows that Native Hawaiians disproportionately experience cost burdens relating to housing and face compounded hurdles in accessing affordable housing options.** This is illustrated by the decades-long waitlist for a Hawaiian homestead and the increasing exodus of Native Hawaiians from Hawai‘i to states where the cost of living and housing prices are much lower. Data also shows that the need for affordable housing is widespread, emphasizing the importance of immediate efforts to address affordable housing before the State loses its unique cultural identity due to more out migration of Hawai‘i’s diverse population.

In comparison to other communities, Hawai‘i has small minimum lot sizes for single-family residential development, beginning at 3,500 square feet. In most zones where only residential uses are allowed, most counties allow for at least one accessory dwelling unit (ADU). In 2024 the Legislature mandated that each lot must allow up to two ADUs. However, more needs to be done to generate more housing and more affordable housing, in particular. Funding Kamakana Villages will be integral to **planning and policy activities to address barriers in support of affordable housing.**

The State of Hawai‘i’s proposal focuses on an area that has an insufficient amount of affordable housing, and thus **ensures that affordable housing will not solely be concentrated in low-opportunity areas** or in areas that already have ample affordable housing. Our proposal supports investment in transit-oriented areas with access to urban centers and job opportunities, **which expands access to well-resourced areas of opportunity.** Funds will be used in an identified TOD area where it is not required for people to own and maintain their own vehicles to access nearby economic opportunity. The State of Hawai‘i’s approach **addresses the housing needs of members of protected class groups, including persons with disabilities, families with children, and underserved communities of color** in that at least 51% of the housing produced will benefit low and moderate-income households in racially diverse neighborhoods.

This proposal addresses issues identified in the State’s most recent fair housing plan or plans. In April of 2020, the University of Hawai‘i Economic Research Organization published an [Analysis of Impediments to Fair Housing](#) for the following entities: Hawai‘i Housing Finance and Development Authority, Hawai‘i Department of Hawaiian Home Lands, Hawai‘i Department of Human Services, Hawai‘i Public Housing Authority, City and County of Honolulu Department of Community Services, Hawai‘i County Office of Housing and Community Development, Kaua‘i County Housing Agency, Maui County Department of Housing, and Maui County Department of Human Concerns. The *Analysis of Impediments* is a review of a jurisdiction’s laws, regulations, and administrative policies, procedures, and practices affecting the location, availability, and accessibility of housing. It also provides an assessment of conditions—both public and private—affecting fair housing choice. The report suggested that government employees who deal with fair housing issues would benefit from additional training on fair housing. The PRO Housing Round 1 award is allowing Hawai‘i to create a team that will harness the necessary resources to provide such training. The team will also be able to assist with the following recommendations included in *Analysis of Impediments*: develop updated program rules

and polices; policy communication and dissemination; language access improvements; and affirmatively furthering fair housing.

The **risk of displacement** will be addressed in this PRO Housing Round 2 proposal with the preservation of Kamakana's existing housing stock. Our planned activities do not lead to the displacement of vulnerable residents in communities of color.

A priority of the State and its counties is to create more mixed-use zones closer to transit. Counties have completed street designs that help people safely travel that last mile to the rail or bus routes. However, the counties lack the capacity to do all that is necessary. The housing team, funded with PRO Housing Round 1 awards, will support them and provide the necessary coordination so that **targeted barriers are eliminated**. This Round 2 proposal is intended to result in the production of upwards of 1,400 housing units. This proposal, along with the efforts funded by the PRO Housing Round 1 awards, will also address the housing needs of people with disabilities, increase their access to affordable housing, and **support independent living**. Affordable housing developments aimed to provide affordable housing for seniors will directly benefit from infrastructure investments included in this proposal. Affordable housing built as a result of this grant proposal will be **required to comply with the Americans with Disabilities Act (ADA) and accessibility requirements under the Fair Housing Act**. The housing team, with the support of OPSD and HHFDC, will ensure **compliance and implementation** and will have the support of the legal team at the Hawai'i Department of the Attorney General.

Education on the barriers to developing and preserving affordable housing will help **overcome resistance to streamlining existing regulatory processes for housing development**. Throughout the State there is a shared understanding that there is a crisis in producing and preserving affordable housing and expressed interest in identifying and removing those barriers. The housing team hired with PRO Housing Round 1 funds will work in close coordination with county planning and housing departments which not only understand the need for housing but have been revising their zoning codes and processes to address housing needs.

A statewide **diversity and equity plan** will be created by the PRO Housing Round 1 housing team. In the meantime, *Hawai'i's 2050 Sustainability Plan* and City and County of Honolulu's Resiliency Office equity-related educational resources, tools, or public input are reflected in this proposal. The housing team will **engage and support minority-, women-, and veteran-owned businesses** during planning efforts and housing production. The team will establish, vet, and monitor metrics. A comprehensive set of housing data is regularly prepared for a consortium of state and county housing agencies. The study identifies housing conditions, presents demographic and economic characteristics of Hawai'i's households, and measures housing need, demand, and preferences. It also provides an update on housing inventory and rental housing data. The housing team will work with this consortium to better monitor and report on the amount of housing produced annually and on the **effect the proposal has on promoting desegregation, expanding equitable access to well-resourced areas of opportunity, furthering the de-concentration of affordable housing, and on tracking and evaluating the efficacy of the State's efforts to advance racial equity**.

This PRO Housing Round 2 application seeks funds to plan and design infrastructure to support housing development in a TOD area. We have already estimated that the current housing backlog can be satisfied on just the government lands, and that the 3,000 to 5,000 units needed annually - - after pent-up demand and homeless is addressed -- could be satisfied in TOD areas ([SCR 162/HR 188 \(2023\), Toward a TOD Housing Investment Strategy Report, December 2023](#)). The efforts described in this **application could result in the production of at least 1,400 housing units.**

With HHFDC’s experiences with HUD funds, the team will rely on the agency’s guidance to ensure that units are **affirmatively marketed broadly to demographic groups that would be unlikely or least likely to apply absent such efforts.** OPSD and its partner understand that any actions taken in furtherance of this section must be consistent with **federal nondiscrimination requirements.**

v. What are your budget and timeline proposals?

Should the proposal funding be approved, the team will ensure that the project will be cost-effective, in line with industry standards, and appropriate for the scope of the project. The budget for the proposed activity is as follows:

Activities	HUD Share	Leveraged Funds	Basis for Estimate
Round II Request: Planning and design of infrastructure for Kamakana Villages	\$3,000,000	\$1,500,000 (direct match)	Total construction cost: \$60,000,000 Planning and design = ~10% of construction cost plus contingency, as identified in the 2023 <i>HI TOD Infrastructure Financing & Delivery for TOD Pilot Areas.</i>
TOTAL	\$3,000,000	\$1,500,000	Unmet Infrastructure Planning and Design Costs: \$3,000,000

The proposed activity is comprised of several infrastructure planning and design components and thus can be managed as discreet tasks. As such, it will **not be difficult to manage a successful project if HUD awards a different dollar amount than requested.** However, we still respectfully suggest that the **minimum funding amount that would allow the team to carry out the proposal’s goal is \$3 million.** That would allow the completion of the infrastructure efforts initiated during the PRO Housing Round 1.

Awarding 50% of the request would allow the completion of certain components of infrastructure planning and design, but any amount of funding would send the necessary message that may help motivate other contributors.

See the subsequent page for a timeline of proposed grant activities.

Tasks	Y Q	2025			2026				2027				2028	
		2	3	4	1	2	3	4	1	2	3	4	1	2
PRO Housing Round II Grants Management														
Integrate Round I and Round II tasks														
Develop five-year plan														
Ongoing project management and policy development														
Kamakana Villages Infrastructure Planning and Design														
Public and stakeholder engagement														
Draft scope of work and RFP														
Issue RFP, select bid and sign contract														
Draft planning and design documents														
Identify infrastructure funding and financing														
Finalize planning and design documents														

Exhibit E: Capacity

DRAFT

iv. What capacity do you and your partner have? What is your staffing plan?

The OPSD will manage and oversee the grant funds. HHFDC supports the application and will provide technical assistance as needed with administering HUD funds. OPSD and HHFDC are administratively attached to the State's Department of Business, Economic Development & Tourism. Both agencies work in partnership with the Governor's Office as Governor Green's designated leads for executing his *Emergency Proclamation Relating to Affordable Housing*. They have worked together for many years on a variety of projects, ranging from permitting to legislation to financing. The agencies manage funds from the federal government and have track records that demonstrate capacity.

OPSD is the agency that will lead implementation of the proposed activities. OPSD assists the State with analyzing and formulating state policies and strategies. It also guides the allocation of resources and alignment of state activities and programs. The Office is also responsible for evaluating and communicating potential or current opportunities and weaknesses of proposed activities and programs. OPSD is the State's planning office and is charged with administering the **Hawai'i State Planning Act**, i.e., "to improve the planning process in this State, to increase the effectiveness of government and private actions, to improve coordination among different agencies and levels of government, to provide for wise use of Hawai'i's resources and to guide the future development of the State." See [HRS §226-1](#).

The Hawai'i State Planning Act was adopted in 1978 for the following purposes:

- To improve the planning process in the State;
- To increase the effectiveness of government and private action;
- To improve coordination among different agencies and levels of government; and
- to provide for wise use of Hawai'i's resources

It also serves as a guide to the future development of the State. HRS Chapter 226 sets forth the *Hawai'i State Plan*, which:

- Guides future long-range development of the State;
- Identifies the goals, objectives, policies, and priorities of the State;
- Provides a basis for determining priorities and allocating limited resources, such as public funds, services, human resources, land, energy, water, and other resources;
- Improves coordination of federal, state, and county plans, policies, programs, projects, and regulatory activities; and
- Establishes a system for plan formulation and program coordination to provide for an integration of all major state and county activities.

The OPSD received a PRO Housing Round 1 award that included the hiring of a new team of two professionals dedicated to implementing the grant. As such, the OPSD has the **management capacity** to implement the activities associated with PRO Housing Round 2. The Office has the **relevant project management, quality assurance, financial and procurement, and internal control capacity to quickly launch and implement major projects**, as is evidenced by its continued implementation of the multi-million dollar Coastal Zone Management program funded annually by National Oceanic and Atmospheric Administration.

OPSD has a director, existing divisions that understand and work on short- and long-range matters of importance to the State, a statewide geographic information system, and clerical and accounting staff. **Two full-time staff will manage the Pro Housing activities.** The Office has the authority to **procure contracts and hire staff** within the structure of the State and it has the internal controls to launch and implement this effort. There are no gaps, vacancies, or positions contingent on the PRO Housing Round 2 award.

The Hawai'i Housing Finance & Development Corporation is the State's affordable housing development and management agency. The HHFDC is governed by a board of nine members, six of whom are public appointees, along with the Director of Finance, the Director of the Department of Business, Economic Development & Tourism, and a representative from the Governor's Office. The HHFDC's statutory powers range from housing advocacy and information system, housing research, housing counseling, acquisition, use and disposition of property, cooperative agreements with other governmental agencies, development of property, eminent domain, exchange or use of public property, and other governmental contracts and housing management. In practice, however, the bulk of the agencies' activities are focused on affordable housing development and finance. As such, it is an important organization for the development and management of affordable housing and state advocacy for affordable housing.

OPSD's capacity to design and plan—and to address barriers in production and preservation of affordable housing—is **not dependent on its partner.** As such, the grant funds, or OPSD's ability to implement activities, will not be impacted if its partner drops out. The likelihood of its partner dropping out, though, is negligible, because the partner is a state agency and the proposed grant activity specifically supports their work in affordable housing finance and development.

HHFDC brings valuable expertise to the grant proposal. Both agencies work together on legislative matters and participate in the State TOD Interagency Council and YIMBY Working Group. The HHFDC's extensive expertise and experience navigating civil rights and fair housing and ADA regulations, policies, and programs to increase access to quality housing for low-income families and individuals will ensure the needs of underserved communities are addressed effectively and efficiently for each proposed activity. The HHFDC's advice and guidance on **civil rights and fair housing matters** will greatly increase the effectiveness of each of the activities proposed and significantly advance the proposal's goal to affirmatively further fair housing.

As recipients of HUD funding, the HHFDC will also provide grants administration expertise and experience. The agency is a grantee of both the HOME Investment Partnerships Program and the Housing Trust Fund. In addition, Hawai'i County receives Community Development Block Grants and can provide technical assistance to the State. If awarded, PRO Housing funds will be OPSD's second award, so experience held by the by staff regarding HUD Office of Community Planning and Development grant management and reporting requirements, processes, and procedures generally will serve as valuable resources to OPSD in fulfilling the award requirements.

The OPSD has **experience working with and coordinating partners** (including contractors,

fundere, subrecipients, community stakeholders, and other government agencies) in projects similar in scope of scale to the proposed activities. Over the years, OPSD has received millions of dollars from the U.S. Department of Commerce's Economic Development Administration and from the National Oceanic and Atmospheric Administration.

OPSD staff in partnership with the Governor's Office **wrote this application**. Katia Balassiano, Planning Program Administrator I, Land Use Division, OPSD, and Lindsay Apperson, Federal Recovery Plan Subject Matter Area Specialist, Office of the Governor were primary authors. The HHFDC reviewed the application. The HHFDC has **direct experience working with civil rights and fair housing issues** including, for example, working with data to analyze racial or economic disparities. The HHFDC has experience designing and operating programs that have contributed to tangible reductions in racial and economic disparities.

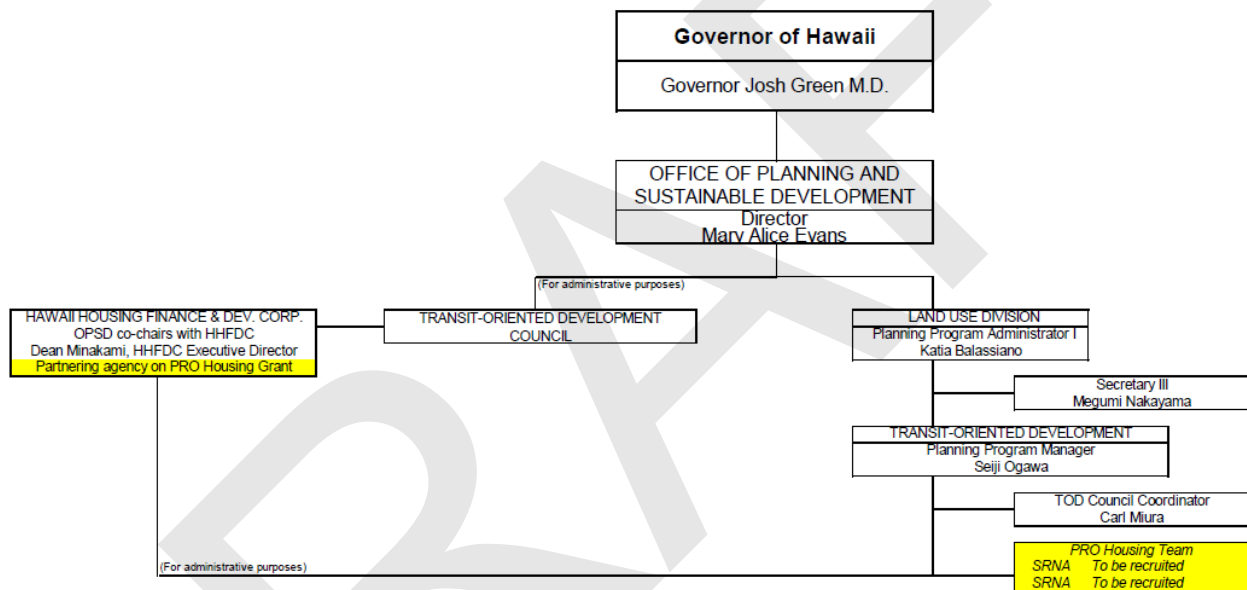


Exhibit F: Leverage


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i. Are you leveraging other funding or non-financial contributions?

As described in [Factor: Capacity, (E)(i)], the OPSD will manage and oversee the PRO Housing award. HHFDC has previously provided infrastructure financing to the Kamakana Villages project, and has the opportunity to **leverage \$1.5 million in additional funds if awarded a PRO Housing grant**. These additional funds demonstrate the need for and commitment to the proposed activities, increasing the financial effect of the requested PRO Housing funds by 50%. This financial commitment, along with those of expertise, experience, and partnership, significantly advances the goal to produce 1,400 units through projects as well as the overall, long-term goal of removing barriers to producing and preserving affordable housing. See attached for the award action and letter of commitment from the HHFDC in regards to the committed leverage.

Statewide

The Office of the Governor is firmly committed to supporting the proposed activities described in this application through executive leadership, coordination, and partnership. Building upon the collaborative relationship developed through the issuance of the several *Proclamations Relating to Affordable Housing*, the Office of the Governor will continue to advocate for and facilitate collaborative efforts amongst HHFDC and OPSD. Additionally, given the alignment of this proposal with the Office of the Governor's priorities, the Office of the Governor commits that its Housing Team will pursue housing efforts that parallel and further those proposed herein, drawing upon the expertise and political and community connections of its Housing Team's members.

Reviewed and Approved by the Executive Director: 
September 12, 2024

FOR ACTION

I. REQUEST

Approve the Establishment of a Dwelling Unit Revolving Fund Budget for the Purpose of Providing Required State Matching Funds for Federal Housing and Housing Infrastructure Related Grants

II. FACTS

- A. There is an unprecedented amount of federal funds available for infrastructure investment from the bipartisan Infrastructure Investments and Jobs Act and other federal sources.
- B. In 2024, the State of Hawaii was awarded \$6.6 million in federal funds for the *Pathways to Removing Obstacles to Housing Program* (PRO Housing).
- C. HHFDC is working with the Governor's Housing Team, Office of Planning and Sustainable Development (OPSD), Department of Transportation (DOT), and other agencies to pursue other federal grant opportunities.
- D. HHFDC administers the Dwelling Unit Revolving Fund (DURF) in accordance with Chapter 201H, Part III, Subpart I, Hawaii Revised Statutes (HRS). Pursuant to HRS Section 201H-191(a), DURF shall be used "for the necessary expenses in administering housing development programs and regional state infrastructure programs, including but not limited to the expansion of community facilities and regional state infrastructure constructed in conjunction with housing and mixed-use transit-oriented development projects..."

III. DISCUSSION

- A. The State of Hawaii is actively preparing grant applications for two federal grant programs that involve housing and infrastructure. They include the *Reconnecting Communities Pilot* (RCP) Program and PRO Housing Round 2. There may be other appropriate federal grant opportunities in the future.
- B. The goal of the RCP Program is to reconnect communities by removing or mitigating transportation facilities, like roadways or rail lines, that create barriers to community connectivity.
 1. The proposed scope of the State's RCP grant includes a request for financial assistance to conduct planning and environmental studies to assess multimodal connectivity options to build safer pedestrian and bicycle pathways to move future residents among affordable housing projects at Mayor Wright Homes and Kukui Gardens, and the future Kuwili Rail Station. This planning will address the legacy transportation barrier caused by the Dillingham Boulevard and North King Street intersection.
 2. HHFDC is working with the Governor's Housing Team and DOT on this effort. The grant application is due on September 30, 2024.

- C. The goal of PRO Housing Round 2 is to support communities that are actively taking steps to remove barriers to affordable housing.
 - 1. The proposed scope of the State's PRO Housing grant includes a request ~~for financial assistance to establish a Statewide Infrastructure Bank and streamlining of regulations to pave the way for pre-fabricated housing construction.~~ The State may need a new entity that functions similarly to an Infrastructure Bank or may need to develop capacity within its existing organizations to provide integrated planning, financing and delivery of infrastructure. Currently, insufficient infrastructure capacity and regulatory burdens significantly constrain the production of affordable housing in Hawaii. *requesting funds to help plan infrastructure at HHFDCs kamakanga project on the Big Island.*
 - 2. HHFDC is working with the Governor's Housing Team and OPSD on this effort to secure federal funding. The grant application is due October 15, 2024.
- D. If awarded, these federal grant programs will require a state match of 20% of the total awarded. For the RCP grant application, the State of Hawaii will be requesting up to \$2,000,000.00 in federal funding, where a State match of \$500,000.00 will be required. For the PRO Housing grant application, the State of Hawaii will be requesting up to \$3,000,000.00 in federal funding, where a State match of \$1,500,000.00 will be required. Contingency funding is requested, as there may be other upcoming federal grant opportunities requiring a state match.
- E. Staff proposes that, using DURF, HHFDC provide the necessary State matching funds required to fulfill its obligations if the State of Hawaii is awarded federal funds. A record of Board of Directors' decision will be needed to document a commitment to provide the State match as part of the application process.
- F. Staff finds that the proposed State matching funds are an authorized use of DURF, which has sufficient available for such purpose. As of July 31, 2024, there was an uncommitted DURF funds balance of \$102,986,732 available for use.

IV. RECOMMENDATION

Staff's recommendation is that the HHFDC Board of Directors:

- A. Approve the establishment of a Dwelling Unit Revolving Fund budget in the amount of \$3,000,000 for the purpose of providing required State matching funds for federal housing and housing infrastructure related grants, subject to the Governor's approval of the release of funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Prepared by: Dean Watase, Housing Planning Manager *DW*

Reviewed by: Chris Woodard, Chief Planner *CV*

Approved by the Board of Directors as

Circulated Amended

On September 12, 2024

Planning, Evaluation & Compliance Branch

Please take necessary action.

Dr. C. ...

Executive Director

Exhibit G: Long-Term Effect

DRAFT

i. What permanent, long-term effects will your proposal have? What outcomes do you expect?

The people of Hawai‘i acknowledge the housing crisis and have worked for decades to identify and address the root causes of this critical problem. The multiple studies referenced in the needs section have identified barriers and offered solutions. With the funding provided through the PRO Housing Round 1 grant, the State will address the infrastructure, land use, zoning, and other regulatory, administrative, and legislative barriers identified by the YIMBY Working Group. To ensure the full intended impact of the work, including unlocking the 1,400 housing units in Hawai‘i County, Round 2 funds would provide necessary infrastructure planning and design work to construct Kamakana Villages that went unfunded from the Round 1 request.

Over the past two decades, numerous reports, recommendations, and working groups across the State consistently identify the lack of infrastructure as one of the primary barriers—if not the primary barrier—preventing the development of direly needed affordable housing. The reality in Hawai‘i is that even with regulatory, zoning, and legislative reforms that lift barriers in the production and preservation of affordable housing, without critical infrastructure, new affordable and accessible units will never be realized. Thousands of units will sit vacant or never get constructed waiting for sufficient infrastructure investment.

For this reason, this proposal **funds activities that will enable the production of affordable housing units** long after the grant’s period of performance. With the funds from PRO Housing Rounds 1 and 2, this **approach should permanently remove key barriers to producing affordable housing.**

The table below identifies expected achievements of each proposed activity and their anticipated permanent, long-term effect.

Activity	Expected Achievements	Permanent, Long-Term Effect
Planning and design of infrastructure for Kamakana Villages in Kailua Kona, Hawai‘i	The planning and design documents produced should be sufficient for the County of Hawai‘i to proceed with procurement of vendors for infrastructure construction	Enable the future development of 1,400 new housing units, the majority of which will be subject to affordability restrictions.

The effort may encounter **roadblocks** due to chronic staffing shortages and other administrative barriers. However, our discussions with State and county officials suggest all are committed to decreasing permit processing times while preserving critical environmental, cultural, and historic resources to overcome this roadblock. While the “Not In My Back Yard”-type sentiments are to be expected, best way to counteract this resistance is through **education, trust building, and the real provision of assistance.** The new housing team – hired with PRO Housing Round 1 funds – located within the State Office of Planning and Sustainable Development, will be able to overcome this barrier by working with counties, grant partners, and other state agencies to find solutions.

The proposal will result in reducing housing cost burdens for residents without increasing other costs, because the infrastructure in Hawai‘i County will be in a TOD area. The production and preservation of affordable housing will be near amenities, public services, jobs, transit, schools, and other important community assets and locations. The counties and the State already have some regulations and programs in place to facilitate affordable housing development and prevent gentrification in transit-oriented development areas. The OPSD housing team will work with counties to further improve codes and avoid escalating housing cost burdens.

All of the State’s counties are incorporating resiliency into their land control regulations and design standards. The **significant environmental risks** include wildfires, as seen recently with the devastation on Maui, and sea level rise associated with climate change. The Counties work to update their codes in alignment with the State Building Code Council. The PRO Housing Round 1 housing team can ensure their efforts are better coordinated and, thereby, easier for the development community to understand and implement. Consistency will expedite permitting and housing construction.

OPSD developed a statewide sustainability planning and coordination program pursuant to Hawai‘i’s Sustainability Priority Guidelines and Principles established by [Hawai‘i Revised Statutes § 226-108](#). The [Hawai‘i 2050 Sustainability Plan](#) contains guidance regarding resilient and energy-efficient features, such as how to use reclaimed water and efforts to mitigate the effects of climate change. The proposal is aligned with the *Hawai‘i 2050 Sustainability Plan* to **efficiently promote community resilience**.

Success at the end of the period of performance and beyond entails the production of sufficient housing units such that demand no longer outweighs supply and ensures greater accessibility of affordable housing—a vision shared across the proposal’s partners. **The path to success is clear**, where infrastructure unlocks affordable housing. The State needs infrastructure to achieve the goals. By building the infrastructure needed, this proposal will enable the **construction and preservation of a total of 1,400 housing units**.

Building on previous work that has identified the State’s housing needs and the potential impact the proposal’s activities could make, there exist **clear, quantifiable metrics** by which to assess this project. As identified earlier in A, the *Hawai‘i Housing Planning Study* identified a statewide need for 50,156 new housing units by 2025 to address the demand for housing. Of the total projected units needed, 56% are needed to address historic pent-up demand. Additionally, the *Study* estimated that just over half of the 50,156 total units will be needed for people making at or below 80% AMI. An additional 6,056 units will be needed for those at 80% to 120% AMI.

If this proposal is funded, at least 1,400 housing units will be constructed, which will get the State of Hawai‘i significantly closer to its total need for additional housing units to address the state’s chronic shortages. Given that HHFDC will assist with subsidizing the necessary units, the great majority of those units will ease housing cost burdens, overcrowding, displacement, contribute to stabilizing median home prices. We need to complete the construction of Kamakana Villages in a thoughtful and intentional manner by removing **barriers to affordable housing production to expand housing opportunities in general and to address economic**

disparities that have inhibited access to well-resourced neighborhoods for protected class groups and vulnerable populations.

The **long-term effect of this proposal** should result in reduced housing costs for low- and moderate-income families, new union jobs in the construction industry, and construction of infrastructure on a neighborhood-wide basis such that it sustains housing production.

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