

SHELTER WORKING GROUP

Draft Report
November 1, 2023

Purpose: To evaluate the availability and creation of temporary and transitional shelters for displaced individuals and families, and to prepare recommendations for appropriate legislative action.

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Shelter Working Group

SUMMARY

The Shelter Working Group is comprised of Co-Chair Representatives Troy N. Hashimoto and Luke A. Evslin and Member Representatives Micah P.K. Aiu, Della Au Belatti, Cory M. Chun, Sonny Ganaden, Kirstin Kahaloa, Lisa Kitagawa, Jenna Takenouchi, Adrian K. Tam, Kyle T. Yamashita, and David Alcos, III. The purpose of the Shelter Working Group is to evaluate the availability and creation of temporary and transitional shelters for displaced individuals and families, and to prepare recommendations for appropriate legislative action.

The wildfires that tore through Maui in August 2023 were among the deadliest in the history of the United States¹ and the worst natural disaster in the history of Hawai‘i, and are currently the State's largest humanitarian crisis. As a result of the wildfires, there are currently 99 confirmed deaths², 7 missing person investigations³, and 11,000 displaced individuals.⁴ The fire damaged 3,631 properties, 60% of which were rental housing. The loss of these residential units comes on top of an existing housing crisis in Hawai‘i, as housing prices in the State are the highest in the nation, at 2.7 times the national average.⁵

Given the extreme cost of housing in Hawai‘i, the dearth of existing available long-term rental units, onerous building regulations, the loss of housing stock on Maui, and the sheer number of displaced families that are entering the rental market, ensuring that displaced families have somewhere safe, healthy, and affordable to live is one of the largest public policy challenges that Hawai‘i has ever faced.

Based on the findings of the Shelter Working Group, this report recommends that the Legislature:

¹ Treisman, Rachel. "Maui's Wildfires Are Among the Deadliest on Record in the U.S. Here Are Some Others." *NPR*, 16 Aug. 2023, www.npr.org/2023/08/15/1193710165/maui-wildfires-deadliest-us-history. Accessed 26 Oct. 2023.

² Lyte, Brittany. "Lahaina Fire Death Toll Rises to 99." *Honolulu Civil Beat*, 19 Oct. 2023, www.civilbeat.org/beat/lahaina-fire-death-toll-rises-to-99. Accessed 26 Oct. 2023.

³ "7 People Still on Credible Missing List from Lahaina Fire; Remains of 1 Person Left to Be Identified." *Maui Now*, 13 Oct. 2023, <https://mauinow.com/2023/10/13/7-people-still-on-credible-missing-list-from-lahaina-fire-remains-of-1-person-left-to-be-identified/>. Accessed 26 Oct. 2023.

⁴ Capps, Kriston. "How to Rebuild Housing After the Maui Wildfires." *Bloomberg.com*, 19 Sept. 2023, www.bloomberg.com/news/articles/2023-09-19/how-to-rebuild-housing-after-the-maui-wildfires. Accessed 26 Oct. 2023.

⁵ Tyndall, Justin, et al. "The Hawai‘i Housing Factbook." *Economic Research Organization at the University of Hawai‘i*, 23 June 2023, <https://uhero.hawaii.edu/wp-content/uploads/2023/06/TheHawaiiHousingFactbook.pdf>.

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- (1) Increase and leverage financing mechanisms to assist in building housing in West Maui;
- (2) Reduce regulatory barriers for the development of additional dwelling units and multifamily housing;
- (3) Support the counties in sufficiently utilizing short-term rentals as long-term rentals; and
- (4) Ensure support for the State's most vulnerable populations.

The response efforts to house residents in the immediate aftermath of the wildfires are facilitated by the Federal Emergency Management Agency (FEMA) and non-governmental organizations in conjunction with the flexibility provided by State and county emergency proclamations. The focus of the shelter working group is to develop legislative options to ensure a myriad of housing pathways for the period after federal support ends and the emergency proclamations expire and increase the State's housing resilience in preparation for, and subsequent to, any future natural disasters.

This report will not make recommendations regarding the rebuilding of Lahaina because this working group recognizes and agrees that the eventual rebuilding of Lahaina will only take place through an updated community plan or similar process with extensive input from the community.

FINDINGS

Finding 1: Hawai'i is in a Housing Crisis

Hawai'i has the highest housing costs in the nation. Adjusted for inflation, the price of existing homes in Hawai'i has increased by 155% since 1984, with more than 40% of that increase in just the last two years⁶ due to a surge in demand, low interest rates, and continued low levels of supply.⁷ The University of Hawai'i Economic Research Organization (UHERO) recently published *The Hawai'i Housing Factbook*, which contains many sobering statistics for the State, including that less than one-third of households in Hawai'i can afford a median-priced single-family home, and less than one-half can afford a median-priced condo.⁸ Hawai'i also has the highest rental prices in the nation, with the median monthly rent at \$2,000. Within the State, Maui has the highest median posted rental prices at \$2,500 a month. Due to these factors, Hawai'i has the

⁶ Federal Reserve Bank of St. Louis. "All-Transactions House Price Index for Hawaii." 29 Aug. 2023, <https://fred.stlouisfed.org/series/HISTHPI>. Accessed 26 Oct. 2023.

⁷ Tyndall.

⁸ Tyndall.

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highest percentage of homeowners paying more than 30% of their income on their mortgage,⁹ making these households more vulnerable to increased stress, mental health problems, and an increased risk of disease.¹⁰ High housing prices are the primary contributor to high rates of homelessness nationwide,¹¹ and, as would be expected given the dire housing market, Hawai‘i's rate of homelessness is more than double the national average.¹²

One clear contributor to high housing prices in Hawai‘i is the lack of housing supply, which lags behind the high demand.¹³ According to the 2019 Hawai'i Housing Planning Study, "a significant amount of research has been reported in peer-reviewed journals to estimate the statistically significant correlation between the barrier and supply inelasticity and/or high housing prices".¹⁴ The study further states that "Hawai‘i's housing market is supply inelastic. A change in demand does not lead to a change in supply in a timely or efficient manner. That leads to low production and high prices."¹⁵

It is estimated that Hawai‘i needs to build 50,000 new homes between 2020 and 2025 to meet the demand for housing, with 28,000 of those needed to reduce "pent-up demand caused by years of supply shortages".¹⁶ However, over the last five years, Hawai‘i has only added 27,000 homes to the housing stock, a little more than half of the housing necessary to support the State's population.¹⁷

In addition to the slow rate of construction, Hawai‘i's tropical climate and natural features contribute to high rates of demand for housing from people outside of Hawai‘i.¹⁸ While no reliable data sources show the amount of existing housing stock converted to vacant or seasonal use, survey data shows that 52% of out-of-state owners leave their units vacant or utilize them

⁹ SMS Research & Marketing Services, Inc. "Hawai‘i Housing Planning Study, 2019: Prepared for the Hawai‘i Housing Finance and Development Corporation." Dec. 2019, https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf.

¹⁰ United States. Office of Disease Prevention and Health Promotion. "Housing Instability – Healthy People 2030." <https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/housing-instability>. Accessed 26 Oct. 2023.

¹¹ Colburn, Gregg. *Homelessness Is a Housing Problem: How Structural Factors Explain U.S. Patterns*. Oakland, CA: University of California Press Books, 2022.

¹² Tyndall.

¹³ Hawai‘i Housing Planning Study.

¹⁴ (9).

¹⁵ (9).

¹⁶ (36).

¹⁷ Tyndall.

¹⁸ Hawai‘i Housing Planning Study.

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seasonally.¹⁹ Utilizing data compiled by the United States Census Bureau, UHERO concludes that despite persistently high prices, Hawai‘i's housing stock has not grown significantly in recent years, with Maui and Kaua‘i losing existing housing stock, likely due to out-of-state owners leaving units vacant and converting housing stock to vacation rentals in recent years.²⁰

The impact of short-term rentals (STRs) varies statewide but is more significant on Kaua‘i and Maui with 15% of the housing stock consisting of vacation rentals,²¹ with much of the units highly concentrated in individual towns such as Princeville (71% STRs), Kōloa (44% STRs), and Lahaina (40% STRs).²² STRs make up only 2% of the housing stock in Honolulu, but UHERO estimates that they increase housing prices in Honolulu by as much as 5%. The impact is no doubt even greater on Kaua‘i and Maui.

Scores of studies show that new housing construction reduces housing prices.²³ A 2018 paper co-authored by New York University Furman Center faculty directors found that "adding new homes moderates price increases and therefore makes housing more affordable to low-and moderate-income families."²⁴ It is important to note that while the paper concludes that housing supply is necessary to reduce costs, it also argues that "[g]overnment intervention is critical to ensure that supply is added at prices affordable to a range of incomes".²⁵

¹⁹ Hawai‘i Housing Planning Study.

²⁰ Tyndall.

²¹ Tyndall.

²² Bond-Smith, Steven, et al. "After the Maui Wildfires: The Road Ahead." *Economic Research Organization at the University of Hawai‘i*, 31 Aug. 2023, <https://uhero.hawaii.edu/after-the-maui-wildfires-the-road-ahead/>. Accessed 26 Oct. 2023.

²³ See Asquith, Brian, et al. "Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas." *W.E. Upjohn Institute for Employment Research, Upjohn Institute Working Paper 19-316*, 19 Dec. 2019,

https://research.upjohn.org/cgi/viewcontent.cgi?article=1334&context=up_workingpapers&utm; Li, Xiaodi. "Do New Housing Units in Your Backyard Raise Your Rents." *New York University Wagner and New York University Furman Center*, 16 Dec. 2019, <https://blocksandlots.com/wp-content/uploads/2020/02/Do-New-Housing-Units-in-Your-Backyard-Raise-Your-Rents-Xiaodi-Li.pdf>. PDF download;

Mast, Evan. "The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market." *W.E. Upjohn Institute for Employment Research, Upjohn Institute Working Paper 19-307*, 1 Jul. 2019, https://research.upjohn.org/cgi/viewcontent.cgi?article=1325&context=up_workingpapers&utm;

Pennington, Kate. "Does Building New Housing Cause Displacement?: The Supply and Demand Effects of Construction in San Francisco" *Department of Agricultural and Resource Economics, University of California, Berkeley*, 15 Jun. 2021, <http://dx.doi.org/10.2139/ssrn.3867764>

²⁴ Been, Vicki, et al. "Supply Skepticism: Housing Supply and Affordability." *New York University Furman Center*, https://furmancenter.org/files/Supply_Skepticism_-_Final.pdf. 20 Aug. 2018, p. 1. Working Paper.

²⁵ Been 1.

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Various studies have also concluded that housing regulations slow the rate of construction and lead to higher prices.²⁶ A 2002 study on the impact of zoning on housing affordability described how "zoning and other land use controls play the dominant role in making housing expensive."²⁷ More specifically, another paper published by the Brookings Institute Center on Urban and Metropolitan Policy describes how "requirements for low-density-only, minimum housing size, or bans against attached or cluster homes" decrease supply and increase prices.²⁸

Hawai'i has the most regulated housing market in the country.²⁹ Multiple reports and studies have cited the State's regulatory environment as a key factor in high housing costs in Hawai'i.³⁰ A 2022 UHERO report, "Measuring the Burden of Housing Regulation in Hawaii", acknowledges that "rules for residential development can often be in the public interest" for reasons like ecological preservation and efficient management of infrastructure. However, the report also states that regulation can be counterproductive when it "reduces the supply of new homes, and leads to higher prices".³¹ UHERO specifically mentions the prohibition of multifamily units in most neighborhoods and lengthy permitting times as regulatory barriers to new housing.

The 2008 Affordable Housing Regulatory Barriers Task Force stated the impacts of regulatory barriers bluntly:

²⁶ Katz, Lawrence and Rosen, Kenneth. "The Interjurisdictional Effects of Growth Controls on Housing Prices." *Journal of Law and Economics*, vol. 30, no. 1, Apr. 1987, <https://dash.harvard.edu/handle/1/3442758>; Glaeser, Edward and Joseph Gyourko. "The Impact of Zoning on Housing Affordability." *National Bureau of Economic Research Working Paper 835*, Mar. 2002, <https://www.nber.org/papers/w8835>; Glaeser, Edward and Gyourko, Joseph, "The Impact of Building Restrictions on Housing Affordability." *Economic Policy Review*, vol. 9, no. 2, June 2003, <https://ssrn.com/abstract=790487>; Ihlanfeldt, Keith. "The Effect on Land Use Regulation on Housing and Land Prices." *Journal of Urban Economics*, vol. 61, no. 3, May 2007, <https://linkinghub.elsevier.com/retrieve/pii/S0094119006000908>.

²⁷ Glaeser, Impact of Zoning on Housing Affordability.

²⁸ Nelson, Arthur, et al. "The Link Between Growth Management and Housing Affordability: The Academic Evidence." *The Brookings Institution Center on Urban and Metropolitan Policy*, Feb. 2002, <http://reconnectingamerica.org/assets/Uploads/bestpractice154.pdf>. Accessed 26 Oct. 2023.

²⁹ Callies, David. *Regulating Paradise: Land Use Controls in Hawai'i*. Honolulu, Hawai'i: University of Hawai'i Press, 2010; Inafuku, Rachel, et al. "Measuring the Burden of Housing Regulation in Hawaii." Economic Research Organization at the University of Hawai'i, 14 Apr. 2022, <https://uhero.hawaii.edu/wp-content/uploads/2022/04/MeasuringTheBurdenOfHousingRegulationInHawaii.pdf>. Accessed 26 Oct. 2023.

³⁰ Inafuku; Hawai'i Housing Planning Study; Maui County. "Maui County Comprehensive Affordable Housing Plan," Jun. 2021, <http://mauicounty.us/wp-content/uploads/2021/10/Maui-County-Comprehensive-Affordable-Housing-Plan.pdf>. Accessed 26 Oct. 2023.

³¹ Inafuku.

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Among those affected by the phenomenon of regulatory barriers on affordable housing in Hawaii are middle-income workers, including teachers, police officers, firefighters, veterans, hotel workers, and other vital contributors to society who are often forced to commute long distances because they are unable to find affordable housing in the communities they serve; lower-income families, elderly kupuna or future retirees, and younger families or college graduates just starting out.

While Hawai‘i was already profoundly suffering from the impacts of high housing costs due to low supply levels, the Maui wildfires exacerbated an untenable housing situation.

Finding 2: The Housing Crisis Has Been Exacerbated by the Maui Wildfires

According to Luke Myers of the Joint Housing Task Force, the fire damaged 3,631 properties, 60% of which were rental housing. The fire destroyed a significant number of units targeted for low-income families, including:

- Ka Hale A Ke Ola Homeless Resource Center - West Maui, 220 individuals
- Hale Mahaolu Eono senior housing, 35 units
- Kaiāulu o Kupuohi mid-rise community, 89 units
- David Malo Circle Hawai‘i, 18 units
- Mill Street and Pi‘ilani senior housing, 42 units
- Front Street apartments, 140 units
- Hale Mahaolu Eono, 35 units
- Lahaina Surf, 112 units
- Weinberg Court, 62 units

The loss of these housing units comes simultaneously with a surge of demand in the rental market as displaced families compete for the limited supply of other existing housing stock on Maui. As noted in UHERO's 2023 report, ""After the Maui Wildfires: The Road Ahead", [c]ompounding the loss of supply, displaced families are now searching for housing in one of the nation's most expensive markets." This will put upward pressure on housing prices. An example

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of this can be seen in the aftermath of California's 2018 Camp Fire, where housing costs, homelessness, and poverty in nearby communities increased.³²

UHERO estimates that the lost residential structures were valued at \$554,000,000, representing 3% of Maui's housing stock, while the Pacific Disaster Center estimates that the cost to rebuild is \$5,520,000,000. The two figures have a wide discrepancy because many of the residential structures, while inhabitable, were aging and the cost to rebuild to meet current energy and building code requirements at current construction costs is significant.

Finding 3: Current Federal and State Action on Housing Relief

Chapter 127A, Hawaii Revised Statutes, provides the Governor and each county mayor with wide latitude to suspend state or county laws and create new rules in the event of a state of emergency or local state of emergency, as declared by the Governor or a county mayor. On September 8th, 2023, Maui County Mayor Richard Bissen signed the fourth emergency proclamation in response to the wildfires, which suspends, among other relevant sections of the Maui County Code, the Maui County zoning code and the building and construction code to ensure the expeditious discharge of emergency management functions.

In addition to the emergency rules, Governor Josh Green created the Joint Housing Task Force to identify short- and long-term housing solutions. According to the Task Force, there have been 12,153 individual referrals to FEMA housing, of which 5,072 have been deemed ineligible for FEMA support. Several factors determine FEMA eligibility, including United States citizenship, residency in a home in the affected area, and a lack of homeowner's insurance that covers displacement costs (FEMA will not duplicate existing insurance benefits). As of October 26, 2023, there are 3,463 applicants (an applicant can include a family) receiving rental assistance through FEMA, with 1,497 in hotel units and 1,966 transitioned into other units.

Because hotel units are not suitable for long-term living, FEMA's goal is to move all eligible applicants out of hotels into suitable long term housing by February 10, 2024. If there are not enough homes at this time, the State may request for FEMA to extend the program for these units; however, there is no guarantee of an extension. FEMA will cover 175% of Fair Market Rate (FMR) for rental costs at varying rates per number of bedrooms. Homeowners with Federal Housing

³² Boyd-Barrett, Claudia. "How Wildfires Impact California's Housing Crisis." *YES!*, 3 Aug. 2022, www.yesmagazine.org/environment/2022/08/03/wildfires-californias-housing-crisis. Accessed 26 Oct. 2023.

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Administration mortgage insurance are eligible for foreclosure moratorium and forbearance on their mortgage.³³

The conversion of short-term rentals to long-term rentals presents a viable opportunity for housing significant numbers of displaced residents. Another option that FEMA is exploring is the direct lease of an existing building with the intent of subleasing units back to displaced residents. RVs and trailers are unsuitable for various reasons, including United States Department of Housing and Urban Development regulations, high shipping costs, and because they do not hold up well in Hawai'i's humid and salty environment.

FEMA can also install infrastructure and build modular units, which presents an opportunity to fill future housing needs. After FEMA support ends, the State, county, or a private landowner can repurpose the infrastructure for permanent housing needs, and the modular units could be repurposed for homeless transitional housing or other uses. The Joint Housing Task Force, led by the County of Maui and supported by FEMA and the State, is working to identify appropriate sites in West Maui, Central Maui, or South Maui. The Task Force estimates that it could take six to nine months to build interim prefab units. This potentially could yield hundreds of additional interim units.

In addition to FEMA's disaster support, which will last for the next 18 months, there are several other sources of post-disaster federal money that the County of Maui and the State can access for rebuilding, including the FEMA Hazard Mitigation Grant Program, Community Development Block Grant - Disaster Recovery (CDBG-DR), and United States Department of Agriculture Rural Development Loans. These funds can go towards property acquisition, infrastructure, or vertical housing construction to fill long-term needs.

Private entities have begun building temporary housing on private land. However, the County of Maui is in the process of developing emergency zoning rules allowing the legal use of those units as temporary housing.

Finding 4: Residents Ineligible for FEMA Relief are at Risk

The Stafford Disaster Relief and Emergency Assistance Act prevents FEMA from using federal funds to support non-citizens, such as undocumented immigrants and Compacts of Free Association (COFA) migrants. While the total number of affected undocumented immigrants is unknown, 40% of the population of Lahaina was Filipino, while Filipino immigrants constitute

³³ Capps.

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the largest source of undocumented immigrants in Hawai‘i.³⁴ In addition to Filipino immigrants, there are a large number of Latino families in Lahaina, which constitute both documented and undocumented individuals. Civil Beat reported that many Latinos, even those eligible for assistance, distrust government agencies and have been reluctant to come forward.³⁵

While undocumented immigrants remain ineligible for federal support programs, if any of a COFA migrant's displaced family members are United States citizens, under more flexible eligibility requirements they can qualify for rental assistance through the Temporary Assistance for Needy Families Non-Recurring Short-Term Benefits Program. However, the program will only provide rental benefits for four months.

The Red Cross is currently housing COFA migrants, undocumented families, FEMA-ineligible families, including those with medical conditions, through private philanthropic funds at least until February 10, 2024. In addition, through a program funded by the Red Cross and administered by the Council for Native Hawaiian Advancement, with support from the Hawai‘i Community Foundation and County of Maui, any host family who has absorbed any affected resident into their household is eligible for \$375 per month per individual, up to \$1500 for six months.³⁶ Every family, whether documented, undocumented, or COFA migrants, is eligible to receive a Red Cross case manager to help them navigate federal, state, county, and non-governmental organization programs.

Other groups ineligible residents for FEMA relief are those who were previously unhoused before the fires, do not have young families, or have a medical condition. The Hawai‘i Department of Human Services (DHS) has built a temporary transitional housing site, mainly using tents on a parcel of state property near the Kahului Airport. As of October 8, 2023, there are currently 125 residents at the transitional housing site, which has the capacity for 150 residents. DHS intends to utilize the space for six months while the Governor’s Coordinator on Homeless works on longer-term housing using the Kauhale model.

³⁴ Venkatraman, Sakshi and Yam, Kimmy. “Filipinos in Lahaina Say They’ve Been Overlooked in Wildfire Response.” *NBC News*, 7 Sept. 2023, www.nbcnews.com/news/asian-america/filipinos-maui-hawaii-wildfires-rcna102375. Accessed 26 Oct. 2023.

³⁵ List, Madeleine. “Lahaina’s Large Immigrant Community is Facing a Unique Struggle in the Fire’s Aftermath.” *Honolulu Civil Beat*, 21 Aug. 2023, www.civilbeat.org/2023/08/lahainas-large-immigrant-community-is-facing-a-unique-struggle-in-the-fires-aftermath.

³⁶ Council for Native Hawaiian Advancement, *Host Housing Support Program*, <https://www.hawaiiancouncil.org/hostfamily/>.

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Finding 5: Rebuilding of Lahaina is Outside the Scope of this Report

All of Hawai‘i, and especially Maui residents, are still grieving. The rebuilding of Lahaina will require time to heal and for the community to come together to determine what they envision for the future of the town. It is premature for the Legislature to weigh in on how Lahaina will be rebuilt. Thus, this report does not intend to make any recommendations on this matter. However, it should be noted that many complexities face the rebuilding of Lahaina.

After the 2018 Camp Fire in California, it took three years to rebuild 75% of the town of Paradise even though many more resources were available to Paradise, including thousands of contractors and hauling companies. The Maui wildfires are much more complex, with a lack of readily available labor and supplies.

The *New York Times* reports that many of the homes lost in the fire were older homes that were passed down between generations.³⁷ Many of those homes had no mortgage, meaning some were uninsured or underinsured, which will make rebuilding difficult. These concerns, along with anecdotal reports of speculative offers for these properties, and the likely fact that newly constructed homes will rent for higher prices than aging homes, has led to concerns that Kama‘āina families could be pushed out of a gentrifying Lahaina.

Because much of Lahaina was built out based on old building codes and zoning standards, several intractably complex policy problems are ahead, which will likely get resolved through an extensive community planning process. Increased setback requirements, substandard roadways, outdated building codes, and increased parking requirements are just some of the modern code changes that make rebuilding difficult. However, neither the State nor the county can simply waive those codes, as was done after Hurricane Iniki on Kaua‘i, because FEMA funding and insurance will likely require that new buildings meet current code requirements and are built outside of hazard areas. Additionally, UHERO has highlighted concerns that the replacement of Lahaina's older housing stock with new homes could lead Lahaina to re-emerge "as an elite, even less affordable community."³⁸ Some strategies discussed by UHERO to mitigate this outcome include accelerating existing affordable housing projects, "relaxing Maui's onerous housing restrictions, [and] streamlining development of multifamily housing with higher density on smaller footprints."

³⁷ Corkery, Michael, and Cowan, Jill. (2023). "Maui Had a Housing Shortage Even Before the Fire." *The New York Times*, 11 Aug. 2023, <https://www.nytimes.com/2023/08/11/us/maui-wildfires-housing.html>.

³⁸ Bond-Smith, "After the Maui Wildfires".

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Finding 6: Many Gaps and Challenges Remain

While there is ample federal support to assist families in acquiring temporary housing, the primary challenge to housing displaced families is the lack of available housing. The housing shortage impacts FEMA's ability to find adequate housing for those displaced by the fires, leading to the displacement of tenants in existing rental stock, while the surge of demand combined with the contraction of supply will likely put even more upward pressure on rental prices statewide.

There are anecdotal accounts of households converting their garage spaces to housing units or utilizing other unconventional means to house displaced families. However, Maui County's current zoning laws and severe lack of infrastructure make it impossible for many home conversions to be legally permitted. Zoning and infrastructure barriers reduce the Maui community's ability to absorb displaced families. It also reduces the rental income homeowners can receive when they house displaced families. Without a legal rental unit, homeowners housing displaced individuals are only eligible for the Host Housing Support Program and not FEMA rental assistance.

In addition to the short-term impact on the statewide housing market, the more than 3,000 applicant families receiving FEMA support for housing will very likely face a prolonged gap in benefits as federal support programs will expire before families can rebuild in Lahaina. In 18 to 24 months, many households will likely have to pay a mortgage for a parcel in Lahaina while struggling to cover rent in a different household. This creates the conditions for a possible tragic exodus of families from Hawai'i who cannot afford the high cost of rent here in the State and the cost of a mortgage for a parcel with no home on it.

The State needs to prepare for this spending gap through ongoing financial support for displaced households and measures that address the housing crisis statewide. The likely surge in construction in three to five years as rebuilding begins in Lahaina will further stress an existing shortage of construction laborers in Hawai'i, making the next three to five years a vital time to try and increase the housing stock outside of Lahaina town.

The remaining housing supply on Maui has exacerbated the current supply crisis because of the surge in demand for secondary housing from displaced individuals. While Governor Green has prohibited rental hikes and eviction due to non-payment of rent, there are concerns from the community and anecdotal evidence that tenants are being forced out of their housing to make room for families displaced by the fires.³⁹ The Governor's eviction moratorium does not include

³⁹ List, Madeleine. "These Maui Tenants Didn't Lose Their Homes in the Fire, But They're Still Being Displaced." *Honolulu Civil Beat*, 29 Aug. 2023, <https://www.civilbeat.org/2023/08/these-maui-tenants-didnt-lose-their-homes-in-the-fire-but-theyre-still-being-displaced/>. Accessed 26 Oct. 2023.

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cancellations of month-to-month leases or eviction due to a landlord housing a family member. Those displaced in this secondary manner cannot access current state or federal relief programs.

Lastly, while there are short-term guarantees of support for ineligible victims of the fire, including the homeless, non-citizens, and COFA migrants, there are no guarantees of support beyond the next few months, and existing law does not require the State to provide support to these families in the aftermath of a natural disaster.

The Maui wildfires are an incalculable tragedy in terms of lost lives and homes. The next tragedy has the potential to unfold more slowly, over months and years, as the State's existing housing crisis becomes even more untenable for individuals and families. However, while we cannot go back to August 8th and take the steps that may have helped avoid the devastating fires, there is still time to take action and develop the policies necessary to ensure that families can remain and thrive in Hawai'i. During the Regular Session of 2024, the Legislature must act on the structural causes of the housing crisis and the housing ramifications of the Maui wildfires and inevitable future natural disasters.

RECOMMENDATIONS

Recommendation 1: Leveraging State Financing Options

The ability to secure financing will play a major role in providing long-term housing and the rebuilding of Lahaina.

1. The Hawai'i Housing and Finance Development Corporation (HHFDC) must expedite Low-Income Housing Tax Credit (LIHTC) projects already funded with a match from the Rental Housing Revolving Loan and the State's private activity bond allocation. This can be done through the county expediting approvals and permitting. The State may also consider subsidizing an additional shift of construction workers to cut down on the overall construction timeline. According the HHFDC, LIHTC projects in the pipeline include:
 - Kaiāulu o Kūku'ia (West Maui) - 200 units - already under construction
 - Hale O Pi'ikea 1,2, and 3 (South Maui) - 223 units - in permitting
 - Liloa Hale (South Maui) - 117 units - in permitting
 - Kaiāulu o Kupuohi (West Maui) - 89 units (rebuild) - construction plans are very recent

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- Kahului Civic Center, Phase 1 (Central Maui) - 200 units - developer just selected
2. The Legislature and HHFDC must closely monitor the replacement of structures burned in the fire that were financed through LIHTC or other public funds to ensure they are rebuilt in a timely manner. Additional support may be required if insurance does not fully cover the costs of the rebuild to ensure the long-term affordability of these projects. The Hawaii Public Housing Authority must also develop a plan to replace their destroyed units in a timely manner.
 3. HHFDC must work with developers to ensure additional housing projects are ready to be built and funded on Maui. If there is a sufficient pipeline, a fixed portion of the State's bond cap should be allocated to Maui for the next three to five years to ensure more LIHTC projects are built to help families in the 60% of the Area Median Income (AMI) and below range.
 4. State funds must be effectively leveraged with the Maui County Affordable Housing Fund and Community Development Block Grant - Disaster Recovery funds. HHFDC must take the lead in coordinating efforts in assisting developers to create the appropriate financing mix to create more long-term housing on Maui.
 5. The Legislature should consider making additional infusions to “Tier 1” for 60% AMI and below households and “Tier 2” allocation for those with incomes from 60% to 100% AMI, specifically on Maui. The Legislature should also identify additional recurring sources of funding.
 6. In the Regular Session of 2023, the Legislature funded \$45 million for the acquisition of Haggai Institute in South Maui. HHFDC must take the lead and work with the County of Maui to close on the acquisition and begin the rehabilitation of the facility to be used for long-term workforce housing.
 7. The Dwelling Unit Revolving Fund (DURF) must be fully utilized and possibly expanded, or one or more revolving funds need to be created to assist with the construction of housing on Maui.
 - a. With the rising interest rate environment, HHFDC should reinstate their low-interest loan program. These loans could serve as a lifeline for affected homeowners, enabling them to rebuild and recover their homes and communities.
 - b. Expand the DURF Equity Pilot Program, which was passed in the Regular Session of 2023, to assist homeowners looking for low-interest financing for impacted Maui residents.

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- c. Allow the financing of low-interest loans for accessory dwelling units that can be used to house displaced families and alleviate the broader housing crisis in Hawai‘i. Many middle- and low-income families often cannot finance these units, especially in a high interest rate environment.
 - d. The Legislature and HHFDC should consider identifying parcels strategic in location for future housing developments on Maui and possibly acquire the land and develop the parcels to help add additional capacity.
8. HHFDC must identify and the Legislature should consider funding strategic regional infrastructure upgrades on Maui to help spur the development of housing outside of the core burn zone.

Recommendation 2: Streamlining Regulatory Burdens

Regulatory barriers add time and costs to the development of housing. If the State can help to ease some of the burdens of regulation, this may help create additional housing capacity.

1. The first priority of the Maui County Comprehensive Affordable Housing Plan is to update the county zoning code to lower housing costs and promote affordability by design. This recommendation is echoed in UHERO's report, "After the Maui Wildfires: The Road Ahead." To increase affordability statewide and give homeowners more flexibility over the use of their properties, the Legislature could take action to reduce zoning and regulatory barriers and permitting fees for additional dwelling units, multifamily housing, and prefab housing within the urban state land use district.
2. While numerous private individuals have worked to set up temporary housing on private land, the County of Maui has not established an emergency zoning code that would allow for the siting of temporary shelters such as trailers, recreational vehicles, and prefab housing. The Legislature should coordinate and/or task appropriate agencies, including the Office of Planning and Sustainable Development and the Hawai‘i Emergency Management Agency to create a model statewide emergency zoning law to allow certain properties to host temporary shelters for a period of time following the declaration of a state of emergency.

Recommendation 3: Utilizing Short-Term Rentals for Long-Term Housing

Having adequate long-term housing stock in the near future will be a challenge until replacement housing stock can be constructed. Data provided by UHERO indicates that

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the zip code of Lahaina currently has 4,694 active STRs. Therefore, to solve the short-term housing crisis, the County of Maui should incentivize STR owners to convert to long-term housing through tax incentives or other necessary means.

If this does not work to create additional long-term supply, the County of Maui must also have the tools necessary to increase the housing stock for a temporary period of time.

Currently, counties are prohibited from phasing out the zoning of non-conforming residential uses of single-family homes or duplexes. The counties have interpreted this to include a blanket prohibition on changing the zoning of STRs without allowing existing STRs to continue to operate through non-conforming use permits. With 40% of Lahaina's housing stock utilized for STRs, the Legislature should grant the counties the authority to phase out non-conforming STRs as a tool to create long-term housing. Similarly, the Legislature should ensure that the counties have all the authority needed to regulate legal and illegal STRs.

Recommendation 4: Housing Vulnerable Populations

1. Non-citizens, including COFA migrants and undocumented individuals, are at significant risk of displacement after a natural disaster due to their lack of federal support. FEMA has directed these individuals to the Red Cross and there are various philanthropic organizations supporting COFA migrants and undocumented individuals. The Department of the Attorney General should continue to investigate and monitor non-profits for potentially fraudulent activity. The legislature should identify supportive programs for this segment of the population, including a possible infusion of the Temporary Assistance for Other Needy Families program for those with children. Other options will be necessary for those without families.
2. The population experiencing pre-fire homelessness need a long-term solution since the only West Maui homeless resource center burnt in the fire. The temporary tent site near Kahului Airport will need to be converted into a longer-term housing solution. The Governor's Emergency Proclamation on Homelessness includes many elements of building longer-term temporary housing. The Legislature created 'Ohana Zone exemptions to allow for construction to occur quickly. A commitment to building more housing for those most in need is necessary and the Legislature should consider passing a comprehensive law that allows for the streamlining of construction of either 'Ohana Zone or Kahuale sites without the need for an emergency proclamation. Homelessness is an

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issue that will only be solved by creating additional subsidized housing inventory for the foreseeable future on Maui and throughout the State.

3. The total cost of owning a home must be carefully monitored. Ancillary costs such as homeowners' insurance can at times strain a family's ability to make ends meet each month. The wildfires likely will cause all insurance rate premiums to increase. The Legislature and State Insurance Commissioner must monitor the increase of rates and ensure prices are attainable and reasonable. They must also ensure that homeowners have options if private insurers decide to withdraw from doing business in Hawaii. As rates are updated, the Legislature must remain proactive in ensuring a healthy insurance market for consumers.
4. Many families cannot bear the financial burden of a mortgage and/or homeowners association fees (HOA) for a home that is uninhabitable or no longer exists. The Legislature should consider options to ensure temporary mortgage forbearance, HOA fee forbearance, and a foreclosure moratorium on homes rendered uninhabitable due to natural disasters.