

From the Pacific Business News:

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Residential Real Estate

Housing relief could lock some in place

The Hawaii Community Development Authority is proposing to lower the affordable housing bracket in Kakaako, a proposal that would negatively affect Hawaii's housing ladder, according to one Hawaii developer.

The rules would lower the maximum income for buyers from 140 percent to 120 percent of Honolulu's median income, increasing the supply of affordable housing but also disqualifying individuals from buying into workforce housing projects such as the 801 South St. project in Kakaako.

"801 South was a project that worked to help individuals get on the housing ladder, but that is at risk now," Christine Camp, president and CEO of Avalon Development Co., said. "Some families who bought units were able to sell and move up, and people didn't like seeing that. But moving up in the ladder is necessary, and they shouldn't be dampening the idea of owning a house."

The first 801 South St. tower opened in June 2015 as a privately-financed condominium project for Honolulu's workforce, and all 635 units, priced between \$253,200 to \$501,300, sold out in a couple of weeks. The project's second tower is set to open in January.

By lowering the affordable housing bracket in Kakaako, Camp says some individuals would not be able to move out, hindering them from moving up the housing ladder.

Deepak Neupane, HCDA's director of planning and development, said the rules were proposed to reflect the need for affordable housing in Kakaako.

"In September 2015, a City and County [of Honolulu] report showed that 75 percent of the housing demand is for families making 80 percent of the area median income, so we proposed the rules to reflect what the need is and increase the supply of affordable housing in Kakaako," Neupane said.

While real estate experts argue that Hawaii's lack of inventory has caused a housing crisis, Neupane believes this isn't happening in Kakaako.

"Creating new inventory is a function of market conditions, and right now market conditions are good," Neupane said. "Interest rates are still low, the economy is good, and this is a good environment for



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increasing supply. When looking at the approved projects for Kakaako, there are 5,900 units that will be produced by mid 2018, and a little over 2,800 of those units will be affordable.”

Neupane said the draft proposal will also support development for more affordable housing units, as there are incentives within the rules.

“There are financial incentives to develop affordable housing, or reserved housing units, because it reduces the land cost for the developer by 20 percent,” Neupane said.

According to the rules, proposed in October, every developer applying for a permit to construct multi-family residential development of 10 residential units or more “shall provide at least twenty per cent of the total number of residential units in the development as reserved housing units, which can be provided as for-sale units or rental units.”

A notice of public hearing for the proposed rules has not yet been set, though Neupane said it could be as early as January of next year.

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