WHY DOES HAWAII HAVE A HOUSING PROBLEM?

CAN IT BE RESOLVED?

YES!

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Introduction

1. **The year is 2023. Hawaii sees a need to adapt to a new vision that will lead the state into the next century on how it manages the use of its lands in relation to housing.** Hawaii used to be called the Aloha State but why are many of the people that were born and raised in Hawaii, their parents and even their grandparents losing the aloha spirit? For many generations, the people of Hawaii made up of multi racial origins, welcomed visitors from all over the world with open arms. Local people lived in harmony no matter what their racial or economic status and in general seemed happy. Although there may be many reasons why the aloha spirit may be waning, the greater economic divide between many local people and the new commers to the State is causing major problems when it comes to housing, one of the basic needs to survival.

2. **To start the thinking process** and bring everything into perspective let's start with a hypothesis using the logic that **Hawaii has no law to stop anyone from buying or leasing all the lands in Hawaii.** Large tracts of land outside of the urban areas are relatively cheap on a per acre bases. With the limited amount of land in a highly sought after location like Hawaii, the 1% wage earners plus millionaires and billionaires from all over the world could easily gobble up all the lands in fee or leasehold, so eventually most of today's median to lower income levels of people will be forced to move out of Hawaii due to the high cost of owning or renting a home unless protective measures are put in place immediately. There is talk in the legislature to decide if foreigners should not be able to buy land in Hawaii, which could be a big mistake.

3. **To create a clear path going forward**, we should close our eyes for a moment and try to forgive and forget the past **so we can try to implement a new vision and plan for the creation of housing for all.**

Hawaii has a massive amount <u>unused lands</u> which is great when we talk about **housing for all the people**, the potential of raising all our food to become self-sustainable and the potential to harnessing natural energy from geothermal, the sun and wind which should all be intertwined when we talk of housing.

4. **The focus of this report** is to solve the problems and create realistic timely plans to accomplish what the title of this report states: WHY HAWAII HAS A HOUSING PROBLEM? CAN IT BE RESOLVED? YES! The first thing needed is land. The second thing needed is realistic and available financing. The third thing needed is the desire and will of the people willing to make this happen.

5. **The Hawaiian Islands in total area are comprised of 4,100,000 acres. The total URBAN LAND area in all of Hawaii, which includes residential, commercial, and public facilities uses only <u>250,000</u> acres or 6% of all land in Hawaii.** Other small parcels of 5 acres or less make up about 264,000 acres for another 6% of all the land in all of Hawaii. **Combining the URBAN AREAS and the SMALL PARCELS outside of the urban areas, the total land area for both amounts to only 510,000 acres or only 12% of the total land area in the State.**

THE LARGEST LANDOWNERS:

Largest landowners	Number of acres
State of Hawaii	**1,600,000**
Kamehameha	328,000
Parker Ranch	160,000
Larry Ellison	89,000
Alexander and Baldwin	87,000
Molokai Ranch	87,000
Groves Farms	53,000

Robinson Family (less Niihau)	47,800	
Haleakala Farms	30,000	
Maui Land and Pine	29,000	
Yee Hop	22,000	
Dole Food Company	21,000	
Ulupalakua Ranch	19,000	
Shipman	18,000	
Kahuku Aina Properties	16,000	
McCandles Ranch	16,000	
E.C. Olson	15,000	
Small owners 20 Ac & up	300,000	
Subtotal	**2,037,800**	**49.7%**

Unavailable Lands for this report on housing

US Government	531,000	
Robinson (Niihau)	53,000	
Counties	38,000	
Trust for Public Lands	21,000	
The Nature Conservancy	13,000	
URBAN land Classification	250,000	
Small parcels below 5 aces	264,000	
Poor quality mountain and gulches	892,000	
Subtotal	**2,062,200**	**50.29 %**
Total	**4,100,000**	**100%**

6. **The focus for this report is based on using only State of Hawaii owned lands and lands held in trust for the Hawaiian people to provide all the necessary affordable housing needs for the people with below median income levels.** Brief side notes will be discussed in this report on how all large private landowners should be considered in the formula to create housing for both non-speculation group and speculation group even before a large private landowner wishes to sell some of their lands for the construction of a major project. If land is rezoned before a project is envisioned, predetermined specific conditions need to be established in terms of housing needs based on the proposed density of the zoning shall determine the amount of non-speculative lots with oil base gravel roads shall be transferred to a trust for non-speculation group.

7. **Most large landowners would love to upgrade some of their lands to different zonings** which normally take years and lots of money, mostly going to consultants and legal fees without even knowing in advance if they would even get an approval. To overcome this problem all large owners who would want to get upgraded zonings should submit a broad master plan for what they envision could be developed on their lands for review by the State and Counties before the rezoning process can begin. Conceptual plans for all proposed rezoning should have specific terms and conditions for housing as well as conditions for full development.

8. **Housing for farmland workers** should be made available on the lands of the large landowners like the old sugar plantation villages. This would be a win-win solution for everyone. Subdivisions within large tracts of land would curb emissions which would help lower the effects of climate change because of less traveling to and from work. This would also provide convenience for the workers and possibly help them build some equity if they become a homeowner. A formula using the number of future employees in the project should be used to equate the number

of lots or farm dwellings that would be needed to house migrant and local workers as the State moves to become self-sustainable for food.

9. **Water is the key component for any development;** therefore, each new project shall build the necessary water systems needed for the future growth projected by the conceptual master plans, submitted by the large landowners or developer, should contribute to a specific water project for the area before final approvals are obtained. Surface water should also be collected, channeled, and partially retained throughout the lands to regenerate the dryer western lands of each island. Regeneration of lands basically on all western sides of each island should be a condition as part of any rezoning and development plans. Regeneration of basically all dry lands will also curb the chances of wildfires. Regeneration will also increase the yield of cattle per acre with the possibility of rotating different livestock on the same land throughout the year thus making the land more productive.

10. **From a social economic perspective, Hawaii could become the first state in the nation to implement a real estate housing tax structure that considers the life cycle of every homeowner and heirs** especially for those who were born and raised in Hawaii and who want to live here for the rest of their lives. Nearly every parent would want to leave their primary house for their keiki. Of great concern to many trust makers who wish to leave their homes to their children before or they're gone are worrying about the ongoing burden of the **real property taxes for their heirs especially if their heirs earn below the median income level. Since real property taxes are adjusted annually on their primary residential house and keep escalating each year based on the fair market value of the house and lot even though it's not for sale. A provision for non-speculated dedication on existing homes needs to be evaluated.**

11. **This report will address a vision for the whole real estate housing market and how each segment could benefit the others.** The basis

for this plan to work is for everyone to understand who owns the land and how each large landowner (particularly the State) should contribute land towards the goal of providing housing for those that make an income below the median income level. As part of this plan, large landowners should seriously consider developing or selling portions of their lands for housing projects especially in rough or steep terrain that cater to housing units above the median income levels and up to the high value gated subdivisions and resort housing. **These projects will increase real property tax revenues and general excise taxes of the owners would greatly aid in the offsets of costs for the below median income revenue housing dedicated in the non-speculation group.** The State and Counties could rezone lands with conditions for these larger projects whereby the landowners could receive higher values for their lands for developments and could offer some of their other lands to the State or Counties, as a premium for the rezoning, to a development trust that would expand the needed lots for below median income people for the next century.

12. **By encouraging new high end housing projects especially around resort areas and even on poor agricultural lands in higher elevations will greatly raise the tax revenues from real property and general excise taxes that should offset, if not exceed, the real estate taxes not collected with the creation of the non-speculation houses. A win for everyone that will bring back the aloha spirit.**

PROJECTS to Create Lots for Affordable Housing on State owned lands for people whose income falls below the median income level in Hawaii.

To accomplish the goal of creating affordable housing for those that fall below the median income level in Hawaii, there are a few caveats that should be set in place:

1. A complete understanding of how the total housing market must be intertwined including real property taxes so every person will ultimately be happy.
2. **The fastest and most economical way to get housing to the masses of the targeted groups 1 and 2 is to make available house lots with only oil treated gravel roads and with no utilities.** The locations for these lots should be in areas that have a minimum annual rainfall of 40 inches per year.
3. **Financing for the construction of houses to be by lot owner or lessee.**
4. Subdivision and gravel road costs to be paid by the State of Hawaii. (There could be a reimbursement amount for the lot improvements paid out of escrow from the new lot owner up to $15,000.00 per lot that would be included in the mortgage loan for the house.
5. **Home construction costs shall be paid by each lot owner.**
6. **There will be time limits set to build houses in both groups with default clauses and penalties.**

PROJECT 1: Hawaiian Homes Land Lots

1. **The first targeted group are all the Hawaiians that have a blood quantum of 50% or more.**

2. A preliminary survey shall be done to see how many people would like to have a half-acre house site on any of the designated Tax Map Keys set aside by Hawaiian Homes Commission Act of 1920. **A large portion of the lands set aside by the Hawaiian Homes Commission At of 1920 may not be suitable for single family houses. The proposed road access to the lots shall be by oiled gravel roads with no utilities.** The successful formula for this type of development has been proven on the island of Hawaii in the Puna area where large subdivisions comprised of thousands of lots in each were constructed with only gravel roads (not even oiled) and no utilities. Over the years community associations have installed paved roads in various sections of the projects. Individuals have extended power lines on various roads. Puna is and has been the fastest growing area in the whole State of Hawaii for many years. (Lots of happy people live there)

3. **Since several of the bulk Hawaiian Homes lands are not conducive to create residential lots for the Hawaiians**, the State of Hawaii should immediately make available enough lands to make 30,000 half-acre lots throughout the State with only oil graveled roads and no utilities and in areas that have at least 40 inches of rainfall a year. **These lots shall be transferred in fee simple title first to the Hawaiians** with a 50% blood quantum that have been on the waiting list for a Hawaiian Homes lot and shall be transferred to each in the order of their date of application to obtain a lease for a Hawaiian Homes lot, subject to the Hawaiian Homes Commission Act of 1920 with amendments. If an applicant on the waiting list has since died, then his or her spouse still living shall have the right to obtain a lot. If both spouses have died, the

oldest living keiki may take title to the lot no matter of their blood quantum.

4. **At the time of the first awarding of the lot, the lot shall automatically be placed in the non-speculative group for real property tax purposes.** If the present landowner or any future owner decides to remove the lot from the non-speculative group, all penalties and conditions shall apply at the time removal from the non-speculative group.

PROJECT 2: State of Hawaii lots for people born and raised in Hawaii

1. **The second targeted group shall be any person born and raised in Hawaii who does not or has not owned any real estate prior to applying for a non-speculative lot.** The applicant shall be between the ages of 25 years old to 65 years old, whose income falls below the medium income level, is employed for at least two years, and is prequalified for a house mortgage (allowed with co-signers) when applying for a lot. People that are denied a prequalified loan request should apply to the United States Department of Soils. **The State of Hawaii should immediately make available enough land to make 50,000 half-acre lots throughout the State with only oil graveled roads and no utilities and in areas that have at least 40 inches of rainfall a year.**

2. **A preliminary survey needs to be taken** to see how many people would like to have a half-acre house site on a designated Tax Map Key that is outside any urban district on any island, which road access shall be limited to oiled gravel roads with no utilities and is in areas that have at least an average of 40 inches of rain a year. At the nearest government waterline to the project, the State shall install a large 3-to-

4-inch water valve outlet that can fill water into a water hauling tanker. Several ¾ inch or 1' diameter water spigots shall also be installed that can be used by people with small water containers.

PROJECT 3: Amend Real Property Tax Code

1. **Our real property tax structure for residential housing must be revised to create a two-level system to allow people to choose and decide if they want to keep their house and lot forever in a family estate or do they want to possibly sell their home in the future.**
2. For people that want to place their **existing primary home** into the non-speculation group more studies must be done.
3. For this report, two proposed real property tax amendments are being proposed to lighten the overall tax burden for the people that fall under the median income tax level as well as those who have no intentions of selling their home but will leave the house to their heirs.
4. Houses registered in the non-speculative group shall be treated as property in a living trust if a designated beneficiary is named as such in the City or County real property tax records.
    a. **Non-Speculative Group**
        i. The owner of a new lot established by this act to be used as its primary residence and whose income is below the median income level may register the property in the non-speculative group with the City or County real property division. **From the date of registration and going forward the property owner shall be exempt from paying any real property taxes for that property** provided that the owner does not own or have owned any other real estate before the time of registering the home in the non-speculation

group and the house is not located in a resort location, gated community, a condo, rental home, short term vacation rental, duplex, apartment, and house is not on a property that is larger than one acre.

ii. **With the creation and the transfer of the non-speculative lots to people that fall below the median income level** plus the two-level real property tax system using the proposed non-speculative and speculative group systems, **this formula will protect the local people who were born and raised in Hawaii from ever being forced to move out of the State because of economic reasons.** In turn, **the recipient of a lot will arrange for their own financing to build their house.** Another major benefit of creating lots outside of the urban areas is the availability of Federal Soil Conservation home loans can be obtained in most instances with zero down payment and varying low interest to assist the borrower. With the owners of the lots obtaining their own financing, a greater number of people will be able to get an affordable home due to the minimal financial costs put up by the State of Hawaii to create lots on state owned properties.

b. **Speculative Group.**

i. All housing properties not registered as a non-speculative property should fall within one of the following categories (denoted by quantity of asterisks) so real properties taxes can be assessed fairly over a broader and varying range:

1. Single family dwelling *
2. Duplexes, apartments, non-resort condos *
3. Single family homes on producing agricultural lands *
4. Farm dwellings, dormitories *

5. Owner occupied vacation rentals *
6. Single family homes on non-producing agricultural lands **
7. Oceanfront homes **
8. Houses in gated communities **
9. Managed non oceanfront vacation rentals **
10. Non resort hotel and motels **
11. Managed oceanfront vacation rentals
    Single family homes, apartments, condos, timeshare units in resort locations ***
13. Hotel in resorts locations ***

ii. **Benefits created by allowing the creation of higher end housing into the marketplace, will satisfy all other sections of the housing market,** shall have a small fraction of the real estate taxes generated from these higher end projects will offset the no real property taxes for the non-speculative house and lots.

PROJECT 4: Create Marketing Plan for Large Landowners

Create a marketing plan to approach the top 15 largest private landowners that want to be involved in all types of housing developments for homes above median income levels, commercial, and resort developments. Including:

1) Gated communities and luxury housing developments
2) Commercial spaces
3) Full resort developments including hotels and time-sharing units
    a) Government provided incentives of getting rezoning ahead of any plans or sales of un-zoned lands
        i) Higher sale value for landowner for land that is already zoned
        ii) Faster start times in developing on properties that don't need rezoning
    b) With development conditions that will:
        i) Run with the land
        ii) The owners agreeing to grant land for non-speculative housing lots, as determined by a percentage of the density of the housing developments

As part of the non-speculative guidelines, a small fractional interest of the real property taxes collected from these new speculative developments shall be placed in a special fund strictly for the maintenance and upgrades of the roads in the non-speculative projects that shall be used in proportional amounts of available funds for all projects.