

# HOMELESSNESS & AFFORDABLE HOUSING CHALLENGES IN PARADISE, AUDIT SUBJECTS ABOUND

By Susan Hall



## HOMELESSNESS IS A GROWING CRISIS IN HONOLULU

Hawai'i's state capital, Honolulu, is located on the island of O`ahu and has a population of almost one million. Like many other cities, Honolulu has a serious problem with homelessness, which is worsened by a backlog in transitional shelter, public housing, and affordable housing units. Over the past five years, the Honolulu City Council has appropriated nearly \$212 million for the homeless and affordable housing initiatives.

Many residents report the homelessness crisis is worsening and affecting the quality of life and economy of Honolulu. In a recent survey, 90 percent of Honolulu residents rated homelessness as a major or moderate problem; 80 percent reported the problem of homelessness as essential or very important for the city to address.

Recent statistics for 2015 indicate Honolulu's homeless population has increased four percent to 4,093 individuals, veterans, families, and children. Over 40 percent are not in homeless shelters. Many are chronically homeless. Others suffer from mental health and/or substance abuse. One-fourth reported living in Hawai'i for less than five years. Honolulu's homeless population comes from throughout the United States and the Pacific basin. Many arrive without any safety net to provide housing, employment, food, or shelter.

The City and County of Honolulu initiated several programs and received federal grants to address homelessness problems. For example, U.S. Department of Housing and Urban Development grants provided funding for affordable housing and support services. Mayoral initiatives and strategies for easing the crisis include constructing temporary modular housing, implementing rapid re-housing

More than  
40 percent  
of Honolulu's  
homeless are not in  
shelters and many  
are chronically  
homeless.

for the chronically homeless, building hygiene centers in city core areas such as Chinatown, and implementing coordinated programs for the homeless. These programs augment the services and housing provided by homeless shelters and other non-profit organizations throughout the city.

The city council passed several resolutions and ordinances in response to citizen complaints, business concerns, and the impact on the Honolulu's major economic sector of tourism. Laws now prohibit people from sitting, lying, or sleeping overnight on sidewalks, parks, beaches, and other areas. Other resolutions addressed transit-oriented development districts, strategies for developing affordable housing, and coordinating permitting efforts to expedite renovations of a backlog of 175 unusable public housing units that could house 600 people. Despite these efforts, the problem of homelessness continues, and some report the crisis is growing.

### HONOLULU'S AFFORDABLE HOUSING SHORTAGE IS A LONGSTANDING CONCERN

High housing costs in the 1990s, prompted the city to adopt rules for inclusionary zoning, which required developers seeking residential zoning changes to adopt an affordable housing plan as a condition for approval. Conditional zoning, called "unilateral agreements," set aside low- and moderate-income units in market-rate housing developments. Our report, *Audit of the City's Management of Unilateral Agreements in Affordable Housing*, Report No. 07-05, examined issues that directly affected the number of affordable housing units actually built. This audit found a poorly administered program that did not proactively monitor developers' compliance with their affordable housing commitments. Reliable counts of affordable housing credits by developer, and excess affordable housing "credits" banked and redeemed were unavailable, not tracked or verified by the department. In-lieu fees paid by developers (i.e., developers can also pay fees *in-lieu* of building affordable units) had not been expended for affordable housing since 1998. The department updated and formalized program rules in 2010. However, an audit recommendation to include verified affordable housing data in the department's annual report continues not to be implemented due to insufficient staffing.

### THE MARKETPLACE IS NOT BUILDING ENOUGH AFFORDABLE HOUSING UNITS TO KEEP UP WITH DEMAND

Honolulu needs to add an average of 5,000 housing units annually to catch up with demand and address the formation of new households. Under the affordable housing rules, the marketplace produced 68 units in FY 2014. To build more units, the mayor proposes extending new affordable housing requirements to all construction above a proposed threshold.

Honolulu has improved housing options for low-income individuals through the development of micro units, introducing transit-oriented development and allowing Accessory Dwelling Units in existing neighborhoods.

The housing program is important for several reasons. Many residents live in multi-family and/or multi-generational homes, and spend more than 45 percent of household income on housing and transportation. Honolulu's cost of housing is high, with the median housing value currently at \$700,000. Fair market rent for a one-bedroom apartment is over \$1,500, and a two bedroom apartment is over \$1,600. To afford the rent, individuals would have to earn about \$31.61 per hour in a city where the minimum wage of \$7.25 per hour is prevalent.

The city developed other initiatives for increasing the workforce housing inventory and providing diverse housing options for low-income persons, the homeless, and the elderly. The initiatives included:

- Developing "micro units" such as those underway in California cities. "Micro units" are smaller housing units that are designed to provide the basics for a high-quality living environment within about 300 square feet. Designed to be occupied by no more than two persons, the units would provide housing for the elderly, homeless, and individuals newly entering the work force.
- Introducing Transit-Oriented Development (TOD) that provides affordable housing in close proximity to transit systems. These developments would reduce transportation expenses and commute times, offer more housing choices close to employment centers, and provide mixed-use housing and commercial developments near rail stations.
- Allowing Accessory Dwelling Units (ADU) in existing neighborhoods. This program would increase the supply of housing by updating zoning codes to allow additional dwelling units such as cottages, additions, or converted garages on existing single-family lots.

#### AUDIT OPPORTUNITIES AROUND

In Honolulu, homelessness affects the quality of life for everyone – residents and visitors. It is a complex and challenging problem that has grown over the decades and poses many problems for the city council and mayor despite many attempts to resolve the crisis. Honolulu is trying to provide relief for the homeless and those at risk of becoming homeless. To succeed, it must carefully coordinate the efforts of city, state, and federal agencies (e.g., the U.S. Department of Veterans Affairs, U.S. Department of Housing and Urban Development, the State of Hawai'i Public Housing Authority, the Community Development Authority, and the Office of Planning). It must also consider community groups, non-profits, faith-based organizations, businesses, concerned citizens, and many others.

For cities confronted with similar problems related to homelessness and affordable housing, there are many opportunities for audits of the following:

- Effectiveness and efficiency of homelessness initiatives and programs.
- Assessment of grant recipients' expenditure of funds for homelessness initiatives and services delivered.
- Homeless shelters and services to the homeless to determine if they are well implemented and coordinated.
- The viability of affordable housing programs and strategies.
- Transit-oriented development efforts.
- Efficacy of city department planning and permitting processes needed to support and implement city and mayoral plans and strategies for resolving homelessness and affordable housing issues.
- City's affordable housing assistance projects and programs that serve low- and moderate-income households.

### TRANSPARENCY AND ACCOUNTABILITY ARE EFFECTIVE TOOLS FOR ADDRESSING HOMELESSNESS

Successfully implementing homelessness and affordable housing initiatives requires effective programs, economical use of resources (such as city funds and federal grants), and performance measures for evaluating the efficacy of strategies and programs. Timely reporting of reliable and accurate data to policymakers and taxpayers is essential. The issues of homelessness and affordable housing pose many challenges to the City and County of Honolulu and many other cities throughout the nation. These issues also provide many opportunities for value-added audits that impact local, state, and federal entities and communities everywhere.

---

#### About the Author

**Susan Hall** CFE CRMA, is a Deputy City Auditor with the City and County of Honolulu's Office of the City Auditor (OCA). She is a member of ALGA's Education Committee. She is also project manager for OCA's annual Service Efforts and Accomplishments, National Citizen Survey, and Citizen Centric reports. Over the past four years, Honolulu's OCA has documented the high priority that residents place on the need for affordable housing and assisting the homeless and homelessness through their annual National Citizen Survey of Honolulu residents.