Hawaiʻi Statewide Office on
Homelessness & Housing Solutions

Kama'okū Kalaeloa, O'ahu

Non-Traditional Housing for People Exiting Homelessness

Lessons Learned & Best Practices

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Table of Contents

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Non-Traditional Housing

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Non-Traditional Housing

Executive Summary

This report examines 11 non-traditional housing projects for people exiting homelessness to identify lessons learned and best practices for future projects.

In recent years, the use of non-traditional housing builds has gained support as a means to quickly house people experiencing homelessness – both in Hawaiʻi and the continental United States. Non-traditional construction includes, but is not limited to, prefabricated units, modular units, tiny homes, repurposed buildings, and traditional builds converted for use as single-room occupancy units (SROs). Non-traditional housing builds may have lower per-unit upfront costs, allowing developers to build more units at a reduced cost. In Hawaiʻi—where high development costs and restrictive land options have made it difficult to fill the deficit of approximately 23,492 rental units for extremely low-income individuals[1]—these non-traditional building methods have gained attention as an alternative means of housing production, especially to address the needs of a growing unsheltered homeless population.

This report highlights 11 different housing projects that prioritize households transitioning from homelessness and utilize non-traditional builds. The majority of projects included in this report were developed under an emergency proclamation to address homelessness that provided waivers from State and local government regulations to expedite building processes. Interviews were conducted with developers, property managers, and service providers to identify lessons learned from the use of non-traditional housing builds. Additionally, feedback from the interviews was used to identify best practices for similar projects moving forward. Specifically, this report highlights challenges and successes in three main areas related to the projects:

1. Development
2. Operations
3. Services

Based on the interview findings, the primary benefit of non-traditional builds was a reduction in upfront development costs, and a shortened timeframe for development. While expedited development was a benefit, emergency waivers from regulation also resulted in unintended consequences for some projects, such as exclusion from federal and state operating subsidies. In addition, a number of projects experienced high monthly upkeep costs and deficits in funding to subsidize rental costs and supportive services that could threaten the long-term viability of these projects.

Non-Traditional Housing

Recommendations

Based on the report's findings, the following are recommendations for future non-traditional housing projects to support those exiting homelessness.

Development

» Emphasize the importance of **permanent legislative methods** to expedite the development of projects addressing homelessness and affordable housing.

» Prioritize building with materials and installing appliances that are readily available locally to **reduce ongoing costs** of repair and maintenance.

» Create contractual incentives to prioritize developers who **consult the target population** the project will serve, residents, property managers, and service providers from the onset of the development process.

For more information on recommendations, please see the Recommendations section on p. 31 - 34.

Operations

» Ensure that projects have a **source of ongoing funding** to cover essential operations.

» Include a **contingency maintenance fund** in operations contracts for projects so the upkeep costs do not solely fall on property managers.

» Consider **partnerships** with other agencies to share expertise and risks.

Services

» Identify sources of funding to **diversify revenue streams**, including Medicaid Community Integration Services (CIS).

» Continue and expand **targeted services** for specific subpopulations.

Non-Traditional Housing

Introduction

The number of people experiencing unsheltered homelessness in Hawai‘i is growing, and the lack of specialized housing for extremely low-income households is exacerbating the problem.

Hawai‘i has the second highest percentage of people experiencing homelessness in the country. As of March 2022, the annual homeless Point in Time (PIT) Count identified 5,973 people experiencing homelessness statewide, including 3,749 people (63%) who were unsheltered and living in places not meant for human habitation. While the overall number of people experiencing homelessness identified in the PIT Count decreased 7.5% from 2020, a decrease of 485 persons, the number of people living unsheltered increased by 3%, an increase of 99 persons.

While there has been some progress made in helping individuals attain permanent housing, a key barrier is the lack of affordable housing stock in the state. According to the National Coalition for Low-Income Housing, there is a shortage of over 23,492 rental homes that are affordable and available for extremely low-income renters in the state of Hawai‘i.[2] The lack of sufficient housing has made it harder for service providers to house those at-risk of homelessness or experiencing chronic homelessness.

Many people who are experiencing homelessness or are at-risk of homelessness could wait years on a waitlist before being able to access some of the limited affordable housing options in the state.[3] State and County Public Housing Authorities (PHAs) also consistently report a lack of sufficient housing stock to place people in homes through the private market using rent assistance vouchers, like Section 8 Housing Choice Vouchers (HCVs), Tenant-Based Rental Assistance (TBRA), and Emergency Housing Vouchers (EHV). People who use housing vouchers to afford rent face additional constraints in a tight rental market, as many landlords may be reluctant to accept vouchers.

Housing options for individuals experiencing homelessness are similarly limited. In addition, many people experiencing homelessness are diagnosed with physical or cognitive impairments that impact their ability to live independently. The Corporation for Supportive Housing (CSH) estimates that Hawai‘i needs to develop an additional 3,840 supportive housing units—units that pair ongoing rental subsidy with wraparound supportive services—for vulnerable populations, such as homeless individuals, adults with developmental disabilities, and survivors of domestic violence.

In Hawai‘i, non-traditional housing approaches have grown in popularity in recent years, due in part to lower upfront costs.

To respond to the lack of affordable housing and a growing unsheltered population, the State, counties, and private developers have experimented with various ways to expedite the construction of housing projects for households transitioning out of homelessness. In a state with the fourth-highest average cost-of-construction in the world, building large amounts of housing while keeping per-unit costs low has proven particularly challenging.[4]

Over the past five years, Hawai‘i has seen a rise in non-traditional housing projects for people experiencing homelessness. For the purpose of this report, “non-traditional housing projects” are defined as developments that fall outside the traditional purview of housing builds and are designed to keep upfront development costs low. This includes but is not limited to modular and prefabricated units, tiny home villages, repurposed buildings, and traditional builds converted for use as SROs.

For this report, interviews and site visits were conducted to gain insight from property managers, service providers, and developers. The report focuses on 11 different projects that use a variety of different building and operating methods to cumulatively provide over 300 units statewide to house those exiting homelessness.

The 11 projects use innovative approaches to build housing utilizing limited budgets. For example, developers of the Kahauiki Village renovated recycled prefabricated units originally built as emergency shelters in Japan to provide affordable housing. Kamaʻokū Kalaeloa features 37 tiny homes accompanied by shared communal living areas. Hawaiʻi County and non-profit partners fundraised using private dollars to build prefabricated units for Pāhoa communities living in lava zones, where public financing was unavailable due to high risk.

Additionally, the 11 housing projects examined in this report incorporate social services, provided directly by the project operator or facilitated through partnerships with other non-profit organizations. The social services provided range from on-site case management to the provision of childcare for families with minor children.

Non-traditional housing includes:

Prefabricated Builds

A prefabricated building is manufactured and constructed using factory-made components that are transported and assembled on-site.

Modular Builds

A modular building is a prefabricated building that consists of repeated units called modules. These modules are built off-site and are then delivered to the intended site.

Tiny Homes

Tiny homes may use traditional-style building methods, but are built much smaller than a traditional house—typically between 100-400 sq. feet.

Repurposed Buildings

Repurposed buildings typically take a large building structure, like office buildings, hotels, and hospitals, and renovate them to serve as housing.

Traditional Builds Converted to SROs

Traditional builds converted for use as SROs remodel residential buildings, like single-family homes and duplexes, into single-room occupancy.

Non-Traditional Housing

Introduction

Interviews and site visits were conducted to gain insight from property managers, service providers, and developers. The report focuses on 11 projects throughout the state designed to house those exiting homelessness.

Kauhale Kamaile

Hālona Road

Kealaula

Kumuwai

Kahauiki Village

Hale Kūlike

Hale Kīkaha

Sacred Heart

Kamaʻokū Kalaeloa

Haleʻiwa Project

Kewalo

Non-Traditional Housing

Development

This report examined the steps that went into planning and constructing non-traditional housing projects to house those experiencing homelessness or who are at risk of homelessness.

Hālona Road is a modular unit project located in Waiʻanae designed to house families at risk of homelessness or experiencing homelessness in the surrounding area.

Non-Traditional Housing

Development

Overview

Hawai‘i’s complicated zoning, permitting, and procurement requirements have made it challenging to quickly develop additional housing stock. In Honolulu County, a 2020 audit report showed that applicants for residential permits for projects totaling $1 million to $10 million took an average of over one year (432 days) to have their permits approved and begin the construction process.[5] In a state with a time-sensitive need for affordable housing units, this long time frame makes it difficult for housing development to meet demand, especially for projects serving extremely low-income or homeless households that require a deeper level of financing for development. As developers of non-traditional housing builds completed their projects, they navigated a range of questions and tradeoffs to meet requirements while ensuring that the projects were able to keep costs low and maximize the number of units produced.

Many non-traditional housing projects examined for this report were built under emergency proclamations related to homelessness, which allowed for specific zoning, expedited or waived permitting, and procurement exemptions.

In the State of Hawai‘i, the Governor has the ability to declare a temporary state of emergency to waive specific State or county laws to facilitate a rapid response to an emergency, such as a natural disaster or the recent COVID-19 pandemic. Hawai‘i law limits the length of an emergency proclamation to 60 days, but permits the Governor to issue supplementary proclamations to continue to extend the order by 60 days at a time. Former Hawai‘i Governor Linda Lingle first declared a state of emergency to address homelessness in 2006, authorizing emergency powers to expedite construction of homeless shelters.

In 2015, Governor Ige issued a proclamation related to homelessness for the purpose of establishing temporary shelter and facilitating contracting with private providers of homeless services. The proclamation was further expanded to apply emergency powers to specific projects to address homelessness in each of Hawai‘i’s four major counties. The 2015 emergency and supplemental proclamations for homelessness ended in October 2016 and assisted in expediting the construction of several non-traditional housing projects, including Kauhale Kamaile, the Hālona Modular project, Kahauiki Village, and Hale Kīkaha.

In 2018, Governor Ige issued a new series

Timeline of Governor Ige’s Emergency Proclamations on Homelessness

Oct. 16, 2015
Gov. Ige signs emergency proclamation on homelessness

Oct. 26, 2015
Gov. Ige signs first supp. proclamation

Dec. 24, 2015
Gov. Ige issues 2nd supp. proclamation

Feb. 19, 2016
Gov. Ige issues 3rd supp. proclamation

Apr. 22, 2016
Gov. Ige issues 4th supp. proclamation

Jun. 20, 2016
Gov. Ige issues 5th supp. proclamation

Aug. 18, 2016
Gov. Ige issues 6th supp. proclamation

Oct. 19, 2016
2015-2016 emergency proclamation expires

of emergency and supplemental proclamations to address homelessness. This series of proclamations assisted in expediting additional non-traditional housing projects, such as Kealaula and the Kama‘okū Kauhale. The 2018 emergency and supplemental proclamations ended in February 2020.

The State and county laws that were waived pursuant to the 2015-2016 and 2018-2020 emergency proclamations related to homelessness included laws related to procurement, environmental review, and county regulations such as zoning and permitting requirements.

Expedited building under the emergency proclamations was cited as beneficial for finishing projects, but also had its tradeoffs.

The four counties in Hawai‘i have some of the highest regulatory burdens nationally, as measured by the Wharton Index.[6] The loosened restrictions under the Governor's emergency proclamations allowed non-traditional housing developers to expedite permitting and construction, as long as the project included a focus on households transitioning out of homelessness. While a typical project could take over a year just to get a permit, many of these projects took a fraction of the time. For example, the Kahauiki Village project moved in its first families within a year after starting construction due to waivers provided by the 2015-2016 emergency proclamation.[7] Keeping the length of construction time shorter also resulted in significantly reduced upfront costs. These exemptions, however, posed a number of tradeoffs.

According to the non-traditional housing developers interviewed, the emergency proclamations allowed them to work simultaneously on various aspects of development, rather than sequentially. Building before obtaining permits—which can take over a year to process in some of Hawai‘i's counties—allowed for both time and cost savings. However, not obtaining permits could result in non-conforming structures after the expiration of the emergency proclamation.

Procurement waivers

Some non-traditional housing developers and government entities shared that procurement exemptions also expedited project construction. In particular, procurement waivers enabled them to directly contract vendors with affordable housing experience, rather than putting development contracts out for a competitive bid following the Hawai‘i procurement code. While directly contracting a vendor may save time, there is also a potential risk that bypassing competitive procurement may result in increased project costs and that contracts may be based on the relationship to a developer rather than past performance and expertise.

Zoning waivers

Under the Governor's two emergency proclamations, some non-traditional housing developers were able to bypass zoning requirements in their development. For example, developers could choose parcels that were not residentially zoned, such as agricultural or commercial parcels. While non-traditional housing developers cited exemptions from zoning requirements as a means to reduce construction timeline and cost, waiving of zoning requirements could result in a housing project

The Kealaula project, located in Līhu'e, Kaua'i was built under the 2018-2019 emergency proclamation.

being built in areas lacking critical infrastructure or in areas where residential use could conflict with commercial or industrial operations.

Environmental review waivers

A few projects used environmental review waivers under the emergency proclamations to bypass lengthy processes to assess environmental and cultural impacts of a chosen site. While some non-traditional housing developers reported that environmental waivers were beneficial because problems are rarely encountered during the review process, it should be noted that the review process provides a planning tool to prevent adverse impact on natural and cultural resources. Further, existing processes in State law allow for exceptions to the environmental review process to be granted through other existing mechanisms. For example, if a project's intended use aligns with the parcel's current zoning, among other specific parameters, affordable housing projects could fall under one of ten exemptions through the State's environmental review program under HAR § 11-200.1-15(c).

Expedited or waived building permits

For some counties, the building permit process has increased dramatically in length in recent years, delaying the completion of projects for months or years beyond their initial plans. Residential building permits for larger projects in the City and County of Honolulu take an average of over one year to be processed and approved. Under the emergency proclamation, qualifying projects were able to begin construction while in the process of applying for necessary permits.

Most project developers reported that while their projects were able to begin construction before they had obtained the proper permits, they eventually pursued and obtained all required permits and built their projects to-code. Being able to secure all proper permits while constructing the properties helped developers save significant time on the projects.

Drawbacks

While regulatory requirements for housing development were perceived as burdensome by some developers, others cited potential drawbacks related to the broad use of emergency waivers. For example, using emergency waivers expedited the construction phase of these projects, but also essentially eliminated all standardized processes and regulations for building. The lack of standard processes and regulations was cited by some developers and government agencies as a factor prohibiting certain projects from pursuing federal funding to support operating costs or services.

In addition, developers also shared concern that varying interpretations of the emergency proclamation language resulted in confusion regarding the proclamation's impact on building permit requirements.

Decisions to keep upfront costs low can have unintended consequences.

Various non-traditional building methods have significantly reduced upfront costs of development. For example, on Kaua'i, the Kealaula on Pua Loke project cost an average of about $143,000 per unit to construct. On the same parcel, a traditional affordable housing project cost just over $520,500 per unit to construct. Additionally, the Office of the Lieutenant Governor estimates that kauhale (village) style housing utilizing communal dining and hygiene facilities will reduce costs, with construction for a kauhale ranging from $2.5 million to $5 million depending on size and services.[8]

These lower-cost projects—whether tiny home villages, prefabricated and modular constructed units, or renovated buildings—resonate with residents and policymakers alike who feel the pressure of the lack of affordable housing in the state and want quick, efficient results. Building to keep upfront costs low, however, may not translate to lower long-term costs down the road.

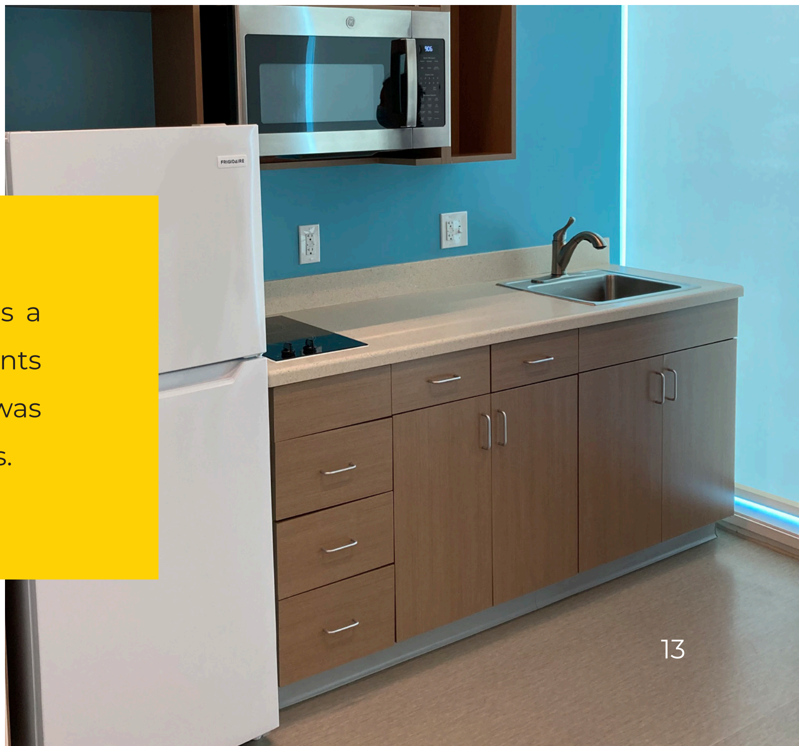
Durability and maintenance

Many property managers and service providers reported difficulties in managing frequent repairs, some of which may be related to lower-budget development choices. To keep costs low, modular and pre-fabricated construction requires initial assembly at a factory, which is often done on the continental United States and shipped to Hawai'i for assembly. At a project that used modular units from the continential U.S., property managers found it difficult to repair units because the paneled building material was not readily available locally. Construction in the bathrooms also contributed to cracking of tubs, requiring frequent replacement.

Some property managers also highlighted that they had a hard time replacing appliances that are hard to find locally, particularly apartment-sized appliances that can fit in smaller spaces. In many cases, appliances were initially purchased as a bulk order during the construction phase. Property managers occasionally encountered challenges with replacing or repairing appliances because units or parts were not available at local stores, which was exacerbated during COVID-19 supply chain shortages.

Property managers noted that some aspects of various projects' designs were not necessarily a good match for their locations, given various environmental factors. This was particularly common among modular and prefabricated builds, which are purchased from an outside supplier instead of being designed for a specific location. For example, some projects were not designed with covered lanais or overhangs, which consequently caused minor flooding inside living spaces during periods of rain.

These frequent maintenance and upkeep



The Kumuwai project located in Mo'ili'ili, which is a building that was renovated into studio apartments to house senior residents exiting homelessness, was built to accommodate apartment-sized appliances.

issues can impact the financial viability of a project, causing some property managers to reevaluate their future participation without additional contingency funding to cover frequent repairs. The addition of recurring funding provided for operational management of projects may ultimately increase costs over time.

Challenges with building in flood zones

Various environmental factors have impacted the long-term sustainability of projects, particularly for parcels in flood zones. One project featuring modular units was built in a flood zone. While the units are raised off the ground to prevent internal flooding, unstable ground conditions have resulted in maintenance issues. Additionally, a property using recycled pre-fabricated materials was built in a flood zone near the ocean, causing some initial corrosion of the building materials. Property managers noted that while the units had held up better than expected, they may need to replace these units within the next ten years.

Infrastructure to lower long-term utility costs

Developers of non-traditional housing builds have frequently dealt with questions regarding investing in infrastructure upfront to decrease long-term utility costs. Projects pursued a wide range of infrastructure development, from connecting to existing county infrastructure systems to implementing "off the grid" alternatives.

Many projects evaluated the feasibility of installing solar panels upfront to decrease ongoing electricity costs. One project was able to secure funding for solar paneling to power the entire project, which has helped reduce ongoing utility costs and keep per-unit rental costs low. This, however, was a significant upfront cost that was only possible due to private funding. When another project attempted to install solar panels without identifying private funding, developers ran into barriers in determining which entity would be responsible for leasing the solar panels and ultimately were not able to secure solar energy for the project.

While solar energy has proven to decrease ongoing energy costs of properties over time, projects have had issues in attempting to go off the grid with other forms of infrastructure. One project decided to create their own sewage grinding system to avoid costly upfront infrastructure upgrades to connect to the county system. This grinder system has represented a significant repair cost for the property manager, and the system may need to be replaced to avoid frequent repair costs.

Decisions in the development process can disqualify projects from being eligible for various rent assistance programs.

Of the 11 surveyed properties, five accepted some sort of federal rent subsidy. For one project, developers and property managers decided not to accept rent assistance vouchers to help them reach a specific target population. For other projects, however, decisions in the development phase around issues of zoning, construction type, and other building requirements played a role in disqualifying the project from using federal rent assistance vouchers.

Section 8 vouchers typically cannot be used at tiny home and micro-unit builds

Because of the way they are structured, some tiny home village projects do not qualify for federal rent assistance programs. Micro-unit tiny home builds provide residents with individual private room spaces and shared kitchen, bathroom, and living spaces. While the U.S. Department of Housing and Urban Development (HUD) does allow Single Room Occupancies (SROs) to qualify for federal rent assistance programs, some tiny home builds with communal bathroom and kitchen facilities are unable to satisfy the requirements of HUD's Housing Quality Standards (HQS) for SRO units. Thus, these projects do not qualify for federal rent assistance programs.

Properties built in lava zones cannot qualify for any State or federal funds, due to higher associated risks

A prefabricated project currently being

constructed in Pāhoa aims to provide affordable housing for residents after decimation of housing in the wake of the 2018 Kīlauea eruption. Because of the high risks associated with building in a lava zone, the project cannot qualify for any State or federal funding. Consequently, the project will not qualify for federal rent assistance vouchers to help subsidize rent for target populations. Developers weighed this as they created the concept for the project, but ultimately decided that there was significant community buy-in that made the project worth pursuing.

Oversight of building requirements by HUD can also disqualify projects

In a few instances, some projects or some units within projects could not accept HUD vouchers because they did not meet HUD or county building requirements. At one project, the county PHA declined to authorize the use of HUD-funded vouchers at a multi-family project that did not have a fire sprinkler system. Another project has one- and two-bedroom modular units that can be converted into a three-bedroom unit at an additional monthly cost. However, the converted three-bedroom modular unit does not meet HUD's HQS requirements due to its configuration.

Local governments may discourage use of rent assistance to avoid perceived "double dipping"

In constructing projects, some counties used federal funds to acquire or rehabilitate a project. When using this funding, counties occasionally made an intentional decision to discourage use of federal rental assistance for the project, so as to not be perceived as "double dipping." This occurred with other sources of funding as well, where counties would not allow projects to use county rent assistance vouchers if they were leasing the land from the county at virtually no cost ($1/year).

Including community and service providers' perspectives in development is essential for the project's long-term success

Developers shared that community consultation, particularly with the project's target population and service providers that serve the population, is a core component of developing a successful project rooted in the community's needs. Developers who recognized the importance of ensuring that their project met the needs and desires of their intended population were generally able to overcome obstacles to development and occupancy.

Kahauiki VIllage used private funding to install enough solar panels to power the community.

Community consultation can invite NIMBYism or other pushback, which can negatively impact a project

While robust community consultation is essential for any public project, this process may also invite "NIMBY" (Not In My Backyard) feedback, or the sentiment that surrounding communities do not want these projects in their neighborhoods. During consultation processes for some projects, community pushback was so strong that it caused some of those involved to withdraw from the project altogether. One project that aimed to build units for residents using prefabricated construction also experienced overwhelming pushback from local construction unions. While community proponents of the project ultimately prevailed, the controversy delayed the project's progress.

Property managers express wanting more input in the decision-making process upfront, but projects constructed with government funding make it hard to consult them during the development process

Many property managers expressed that they would have made suggested alternatives to some development or design choices if they had been included in earlier stages of the development process. Many providers cited the importance of more environmentally-appropriate landscaping that did not require significant use of water, especially in dry climates. Developers noted that at the time of the development process, the State or county typically has not yet awarded contracts for property management or services. This means that even though developers consulted potential property managers and service providers, they were not able to actively involve the agency that would ultimately be awarded the contract in the initial development process.

Identifying funding to complete projects is complex, and private funding can fill gaps where public funding falls short

Most projects surveyed received a large majority of their capital funding from federal, State, and county government entities. However, some projects pursued funding through public-private

partnership or almost exclusively through private funding, which allowed projects to incorporate additional elements while keeping costs for government entities low.

Some developers pursued private donations and grants to install solar power systems onsite, which has helped significantly reduce ongoing costs of utilities each month. Some projects also used funding from foundations to engage in robust community engagement processes, conducting interviews and focus groups of the target population in the development of the property. This process helped to ensure that the property featured design elements that are important to the community, thus helping to encourage consistent occupancy of the project.

Private funding also allows projects to be built on land that would otherwise not be used for housing. One project was built on land located in a lava inundation zone, which is deemed too high-risk for State and federal funding. Project developers raised significant money through private donations and grants and are now completing construction for a project serving communities who were devastated by the 2018 Kīlauea eruption.

Another project was able to utilize a land parcel off Nimitz Highway on Oʻahu that many deemed unusable through a combination of public and private investment in infrastructure development. The combination of government and private funding, along with a low-cost land lease from a government entity, supported the development of a project that now serves over 100 households.

The Haleʻiwa Project uses homes converted into SRO units to house young people at risk of homelessness or experiencing homelessness. Providers conducted extensive surveying and are engaged in a robust community consultation process for a new development on the project site.

Non-Traditional Housing

Operations

This report sought to understand how day-to-day operations were managed and what funding sources were used to cover ongoing costs.

Kealaula features studio and one-bedroom units at affordable prices. The project prioritizes families with minor children who are experiencing homelessness.

Non-Traditional Housing

Operations

Overview

Non-traditional approaches to building housing keeps upfront costs of development low for governments and private funders. Less is known, however, about the ongoing costs associated with operating these projects, including maintenance costs, staffing, and overhead expenses. This report seeks to examine how low upfront costs of development translate into long-term costs of operations, and how non-traditional housing projects can best ensure long-term financial viability.

	PROJECT	RENT
SROs	Haleiwa Project	$600-1000
SROs	Hale Kulike	30% of income*
SROs	Kewalo	$750-850
STUDIO	Kealaula	$500
STUDIO	Hale Kikaha	$960
STUDIO	Sacred Heart	$1,000
STUDIO	Kumuwai	$900 *
1 BR	Kauhale Kamaile	$1,100
1 BR	Kealaula	$700
1 BR	Kahauiki Village	$775
2 BR	Kauhale Kamaile	$1,388
2 BR	Kahauiki Village	$975
3 BR	Kauhale Kamaile	$1,418
TINY HOME	Kama'oku Kalaeloa	$500 *

*** This project has a built-in subsidy so that residents pay 30% of their income up to the noted rent price.**

Many property managers relying solely on rental income to cover operational costs have trouble keeping the project financially viable while maintaining affordable rent.

Equally important as developing projects efficiently and cost-effectively is ensuring that projects remain financially viable in the face of ongoing costs of operations. Projects had a wide range of approaches to managing operations. While some projects were able to cover their operational costs with rent revenue alone, some generated additional revenue through activities like on-site stores or laundry services, and some relied on permanent or temporary funding sources.

Projects used a variety of approaches to keep rent affordable for those at or below the 30% or 50% AMI

All projects required residents meet certain income thresholds in order to rent a unit using the Area Median Income (AMI). AMI measures the household income for the median household in a given area. Typically, households below the 50% AMI are considered very low income, and those below the 30% AMI are considered extremely low income. In Hawai'i, the 30% AMI is $30,020 per year for a single person household.[9] For reference, the maximum monthly Supplemental Security Income (SSI) benefit for a single person is $841 per month, or $10,092 annually.[10] In order to serve the most vulnerable populations, projects targeted applicants who were at or below the 30% AMI or 50% AMI threshold.

Single-person households at the 30% AMI level can afford approximately $751 per month on rent.[11] Of the four properties that were able to price their rental units at or below this $751 threshold

for all residents, two of them utilized temporary funding to subsidize ongoing property management costs or rent. The two projects that did not receive operational funding were traditional home and duplex builds converted for use as SROs, where residents were able to rent single rooms with shared living, kitchen, and bathroom spaces. Property managers at both of these SRO projects expressed having trouble meeting operating costs with rental income alone at the current rent prices.

Some other projects that charged above the affordable rent threshold for those living at or below the 30% AMI were able to subsidize rent for those who needed it through various rent assistance programs. Some projects accepted tenant-based rent assistance vouchers, like Section 8, HUD VASH, and Rapid Re-Housing vouchers. One property that was ineligible for federal rent assistance programs received funding from its county government so residents were not required to pay more than 30% of their income towards rent.

One project that did not utilize any operational subsidies or rent assistance vouchers charged $775/mo for a one-bedroom unit and $900/mo for a two-bedroom unit. The project targeted families at risk of homelessness or currently experiencing homelessness with enough income to afford rent. The rent income, paired with other revenue-generating activities and reduced utility costs due to extensive solar paneling, was able to cover operating costs of the project.

Projects operating without operational subsidies had difficulty ensuring financial viability, even with use of rent assistance vouchers

For some projects that were not receiving funding to cover operational costs, ongoing expenses often exceeded the amount of rent revenue collected. One property manager reported that they will be reconsidering their intent to renew their existing agreement with the county due to high maintenance costs associated with normal wear-and-tear and and tenant-caused damage, ongoing monthly utility and garbage disposal costs, and inconsistent rent collection from residents. Other projects that accept rent assistance vouchers still experience difficulties collecting rent in full each month.

For other properties, maintaining consistent occupancy was one of the main barriers in keeping projects financially viable. In an SRO duplex project, one of the five-bedroom units on the property had only one bedroom occupied at the time of survey, and challenges during the COVID-19 pandemic further limited their ability to collect rent in full. Property managers were able to recoup some of their losses when emergency rent assistance became available, but struggled to find a financially viable operating model.

Kamaʻokū Kalaeloa on Oʻahu is one of three projects surveyed for this report that receives funding from ʻOhana Zones. The project uses the funding to help provide a built-in subsidy for rent to keep costs low for residents.

The burden of operating costs can fall on renters without additional funding

For properties without operational or rent subsidies, the burden of operating costs may be shifted to renters. Of the five projects surveyed that did not use funding to subsidize rent or operations costs, four projects either already had plans to increase rent in the coming month, or were considering raising the rent to meet their costs. This may not impact residents who are using a rent assistance voucher, but could be a significant burden on residents who are paying their rent completely out-of-pocket. Agencies are also bound by stipulations in their contracts that outline specific requirements related to rent increases, making it harder to adjust rent to cover their costs of operation.

Some property management and service provider agencies expressed their desire to be able to adjust rent prices for those who use rent assistance vouchers, while keeping unsubsidized unit prices lower for households paying rent out-of-pocket. One property manager initially proposed a price discrimination model when bidding on a project, but was ultimately informed by its county that they would not be allowed to do so.

Many projects are relying on startup time-limited funding to maintain operations.

Among the ten projects that were currently in operation at the time of survey, four were currently operating with a time-limited funding source. These projects reported overall fewer problems with covering their operating costs than those relying predominantly on rent-generated revenue or rent assistance vouchers.

Projects relying on time-limited funding sources are starting to look towards other funding mechanisms to continue their operations

Projects relying on time-limited or one-time funding allocations will eventually need to find other, more permanent sources of funding to subsidize operations costs. One property manager noted that they would not be able to meet their operational costs under the current rent price of $500/mo without the supplemental funding. The property manager expressed the need to find continuous funding to subsidize rent for the extremely low-income populations they serve once their existing funding expires. Other properties relying on time-limited funding expressed similar sentiments, and had started searching for other funding sources. Other property managers focused on helping their tenants apply for Section 8 vouchers to ensure they had another way to access subsidized housing should funding for their project expire.

HUD project-based vouchers are underutilized in the state, but have their drawbacks

Across the country, some states and municipalities have turned to project-based vouchers to help subsidize rent for their affordable housing projects. Project-based vouchers are rent assistance vouchers that are tied to the unit, rather than the individual. This allows for a more consistent, guaranteed subsidy to maintain operational costs for the project, rather than tenant-based vouchers which may be transferred to other properties.

Statewide, Hawai‘i’s Public Housing Authorities (PHA) administer 13,835 HUD Housing Choice Vouchers.[12] According to HUD, PHAs may use up to 20% of their authorized voucher units to project-base units in a specific project. Thus, the State’s PHAs could use up to 2,767 vouchers for project-based units.

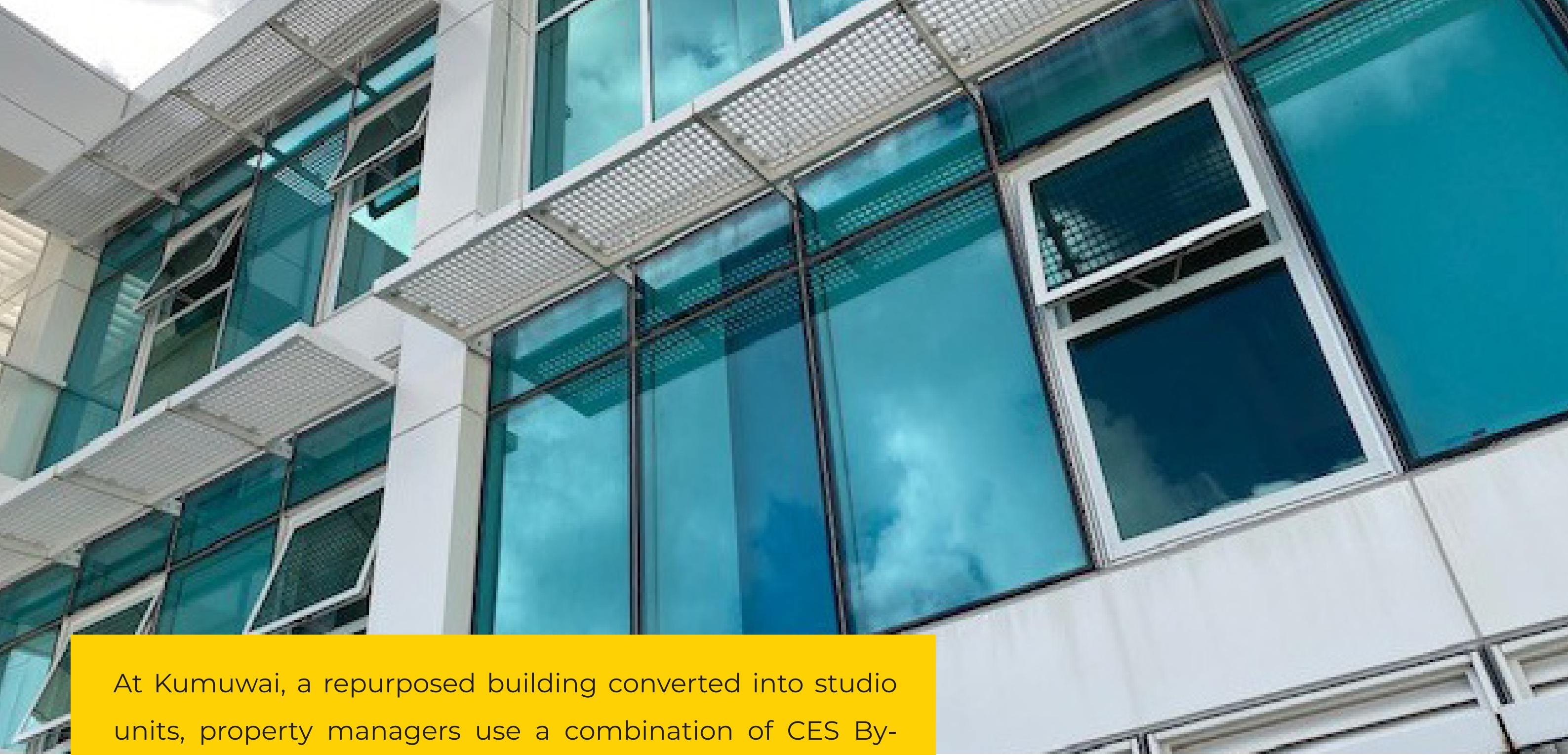
Project-based vouchers are generally underutilized in the State of Hawai‘i. According to HUD, only about 8% of the State’s vouchers were currently in use as project-based vouchers.[13] Of the 10 projects currently in operation at the time of the survey, none were operating with HUD project-based vouchers. This is in part due to some administrative barriers. During a March 2022 meeting of the Maui County Council Affordable Housing Committee, officials noted that project-basing can take more time and resources to initially set up and their PHA did not currently have the staffing resources necessary to process requests.[14] Without adequate staffing of PHAs, processing project-based vouchers can prove difficult to manage.

Despite administrative challenges, project-based vouchers could prove useful for long-term affordable housing projects. The City and County of Honolulu implemented State-funded project-based subsidy models at two of the surveyed projects, meaning that rent subsidies were tied directly to the units. In comparison with projects that accepted tenant-based vouchers, property managers at these projects reported feeling greater financial security.

Working solely through the CES By-Name List to find applicants is challenging for some projects.

The State of Hawai‘i has two Continua of Care (CoCs): Partners in Care, which serves O‘ahu, and Bridging the Gap, which serves the neighbor islands. These CoCs facilitate the Coordinated Entry System (CES), a system that helps manage a community’s housing resources by triaging referrals based on level of need. Outreach workers, case managers, and shelter staff complete standardized housing assessment tools to add households to their

Hale Kīkaha, a project on Hawai‘i Island, used HUD project-based vouchers, but transitioned to tenant-based vouchers for more flexibility.



At Kumuwai, a repurposed building converted into studio units, property managers use a combination of CES By-Name List and provider referrals to find applicants.

Coordinated Entry System's "By-Name List."

Traditionally, projects serving people experiencing homelessness work through the By-Name List to find eligible applicants when a housing resource is available. For some projects, working through the CES By-Name List proved effective in filling units. For others, however, it proved to be a lengthy process, where project managers preferred accepting provider or individual referrals.

Some households on the By-Name List turned down properties to wait for something else that better suited their needs

When working through the By-Name List, some property managers reported it was hard to identify appropriate households for their projects. One project that focused on providing housing for families at-risk of homelessness or experiencing homelessness from the surrounding area noted that working through the By-Name List made it hard for them to identify their specific sub-population. Soliciting referrals from partner agencies serving the target geographic area, in addition to the By-Name List, proved to be a more effective strategy.

For other projects, particularly those on O‘ahu, property managers found that applicants turned down units for various reasons. Applicants noted that they wanted to wait for a property that was in a different area, was constructed in a way that offered more space, was lower rent, or provided services that catered more to their specific needs. Property managers found that working through provider or individual referrals helped them fill units quicker and more effectively than working solely through the By-Name list because they were more readily able to identify individuals and families who were interested in the specific property.

Agencies took different approaches to providing operations and service management.

In addition to the day-to-day management of the property, these projects also typically included a wide range of services appropriate for the target population. These services can include case management, financial counseling, job readiness programming, child care, and on-site medical services, among others. Projects had a wide range of approaches to managing both operations and supportive services. Some projects contracted a single agency to provide both property management and supportive service functions. Other projects contracted separate property management agencies and supportive service agencies to perform their respective functions. Two projects were managed under a joint partnership between three agencies, each bringing their own unique expertise.

Most property managers agree that having a background working with homeless populations is essential for better outcomes among residents

Most property managers consulted were experts in homeless services. They shared that this background and expertise helped in their ability to keep people successfully housed. If a tenant was behind on their rent, they worked with the individual to set up a payment plan or apply for emergency rent assistance programs, rather than immediately initiating eviction proceedings. This can differ from property managers without experience working with homeless and extremely low income populations, who may be quicker to start eviction proceedings.

Service providers acting as property managers were required to balance their mission of housing people experiencing homelessness with ensuring the financial viability of the project. Property managers with expertise in homeless services noted that they rarely evict tenants and preferred to work with tenants to keep them housed. While this practice helped to ensure better tenant outcomes, property managers collected less rent on average, contributing to financial insecurity. One project serving working families experienced significant shortfalls in rent collection during the COVID-19 pandemic, which impacted the available reserves to address maintenance issues and utility usage increases.

Partnerships allow for greater issue area or regional expertise and shared financial risk of a project

Two SRO projects surveyed for this project were operated under a partnership contract between three agencies, each of which brought their own unique expertise to the projects. This allowed them to pair property management expertise with specialized service provisions for the specific sub-populations the two projects aimed to serve. Additionally, the joint partnership structure allowed for these agencies to share the financial risk of taking on a project. If one project has vacancies for longer than expected, or if unforeseen maintenance issues arise, the financial burden is shared across the three organizations. The agencies consulted shared that while partnerships should be intentionally and thoroughly thought through before pursuing, their model worked well in both offsetting risk and providing better outcomes for their residents.

Kewalo is a duplex unit converted for use as SROs that is one of two projects operated under a partnership contract.

Non-Traditional Housing

Services

This report sought to understand what services were provided to residents, how they differed based on various sub-populations, and how services for projects were funded.

The Kahauiki Village project features recycled prefabricated materials renovated to provide one- and two-bedroom units. The project offers many services to its residents, including computer literacy, youth programming, employment services, transportation, and case management services.

Non-Traditional Housing

Services

Overview

In housing populations experiencing homelessness, many of the non-traditional housing projects surveyed for this report included robust services to support individuals and families as they transitioned into housing. As many of these projects were designed as permanent supportive housing, they offered voluntary supportive services to help address unique needs of those exiting homelessness, in addition to affordable rent. These services are crucial in maintaining housing stability for people served.

Across projects, these services included, but were not limited to:

- Case management
- Financial counseling
- Job readiness programming
- Child care
- On-site medical care
- Computer literacy
- Transportation
- Employment opportunities

Projects varied both in the types of services offered and in the funding mechanisms used to cover costs. Services offered varied based on the amount of funding available for services at a project and the target subpopulation the project aimed to serve. Some projects that used private donations and grants to fund various services were typically able to offer a wider range of services than projects that relied on contracted funding or rent revenue to cover costs of services.

Projects used a variety of funding mechanisms to provide services where revenue from rental income fell short.

For nearly all projects, services were not covered by rent revenue alone. Only three of ten projects that were in operation at the time of the survey noted that their costs of services were intended to be funded through rental income. For these projects, service providers found that the rental income was not able to cover their costs of services. As a result, projects pursued a variety of different funding mechanisms to provide these services, including private donations and grants or through other government funding.

For some projects, services were provided through existing government contracts. This predominantly covered various on-site case management services. Providers partnered with other non-profit organizations to connect residents to supplemental services, including legal assistance, food, and medical care.

Grant and private donations often allowed for a greater range of services

Some projects used grants and private donations to cover some or all service costs. While these funding streams are not guaranteed and can change annually, this approach offers the most flexibility for projects in providing services to their target populations. Through private funding, one project was able to provide families with financial counseling, job readiness programming, child care and youth programming, transportation to school for youth, medical services, and computer literacy services. Property managers noted that these services helped their families successfully transition into housing from homelessness.

Many projects rely on startup or time-limited funding to fund services

At the time of the survey, five projects were relying on potentially time-limited funding sources to cover costs of services. One project noted that covering costs of services was already difficult, even with some supplemental funding. Two other projects used private donations and grants to cover costs of services, which may be subject to change in the future. This method seemed to work well for organizations that pursued it, as fundraising was built into their organizations' operating models. However, reliance on private donations and grants could pose issues down the road due to fluctuations in the economy, changing priorities of donors, or other occurrences.

Case management services are essential to keeping vulnerable populations successfully housed.

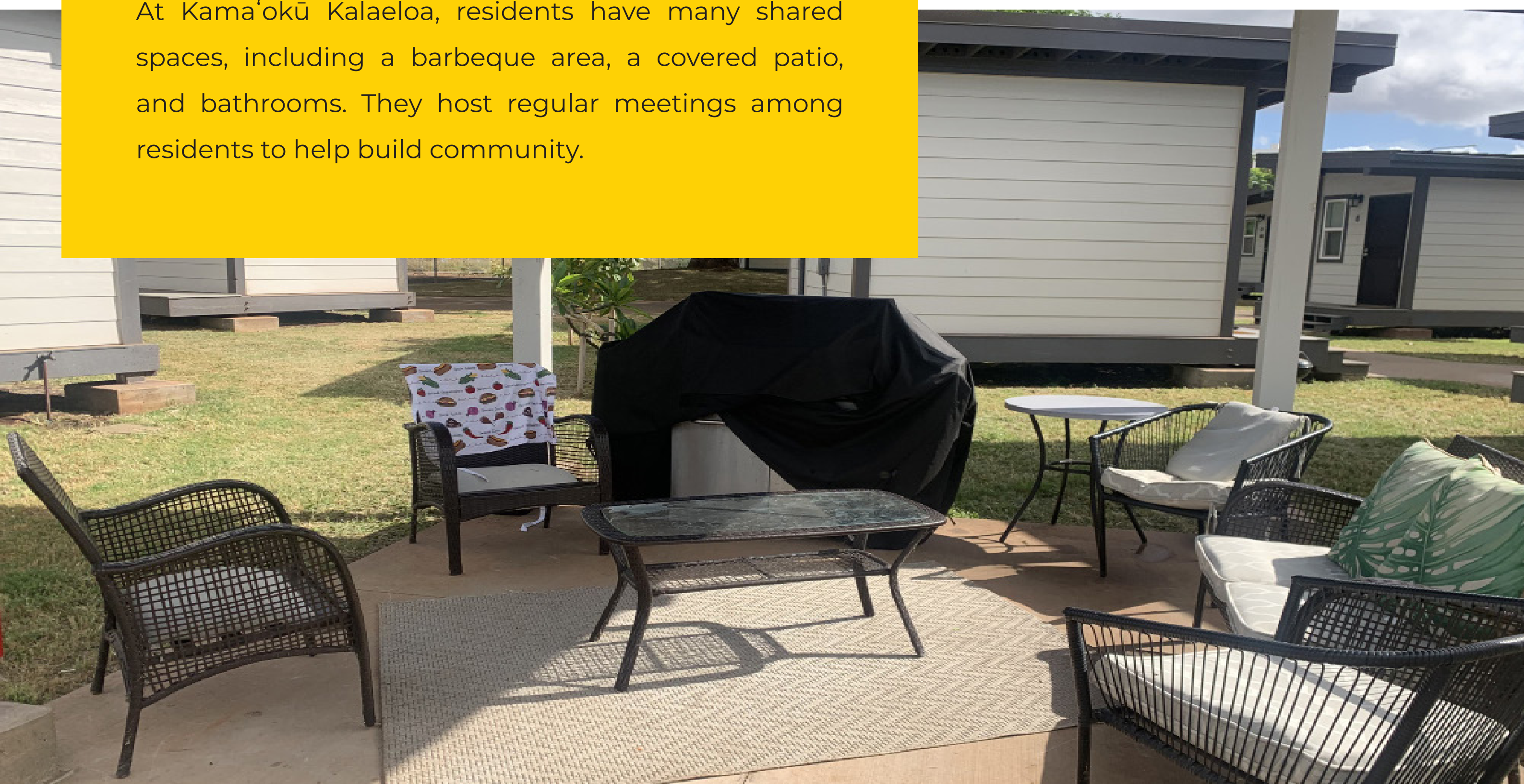
Of the projects surveyed, all provided case management services to their residents. Agencies involved with property management and service provision all agreed that case management services were essential for better outcomes among tenants. Through individualized case management, service providers were able to help clients apply for various programs, including rent assistance, Medicaid, and SNAP programs. They also engaged in mediation services when tenants fell behind on rent, and offered payment plans and other resources to help keep tenants housed. These case management services that give special considerations to those exiting homelessness help projects keep people housed long-term.

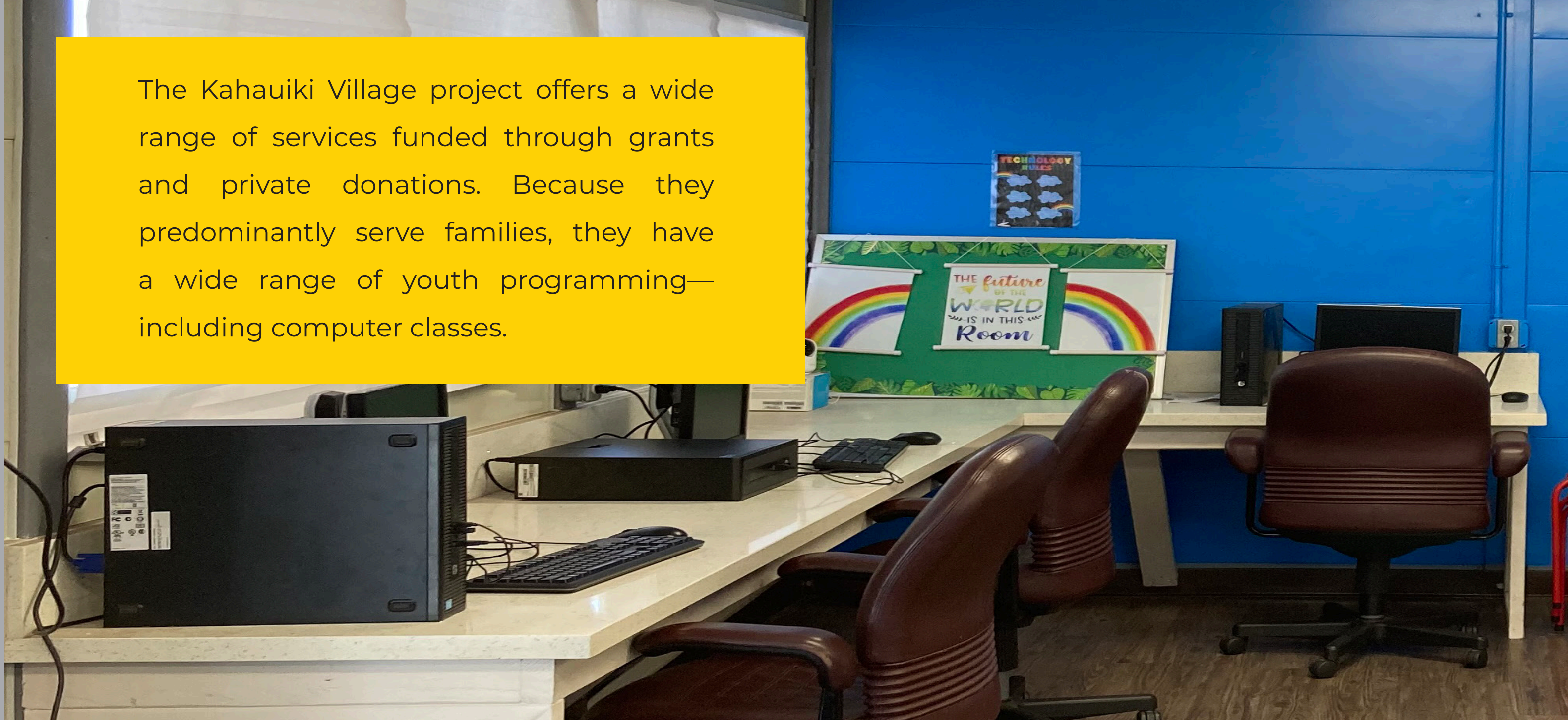
Case managers have been successful in transitioning residents to other permanent housing when appropriate

Many providers consulted for the project noted that their case managers were particularly successful in helping transition residents onto various long-term rent assistance programs. Case managers were able to help residents secure necessary documents and complete all the steps to be approved for rent assistance. This crucial case management work helped ensure that residents have a stable, consistent way to afford rent, especially for those who participate in time-limted rent assistance programs.

For some projects, assisting residents with affording rent at the project site also helped the project guarantee consistent rental income. For other projects, transitioning tenants onto rent assistance often meant transitioning them to other permanent housing options, such as public housing or senior housing. Tenants who transitioned onto the Section 8 HCV program or other tenant-based rental assistance were able to move into different properties that allowed them more space, were in a better location, or better suited their unique needs. While this was good for residents' outcomes, this also meant higher turnover of units.

At Kamaʻokū Kalaeloa, residents have many shared spaces, including a barbeque area, a covered patio, and bathrooms. They host regular meetings among residents to help build community.





The Kahauiki Village project offers a wide range of services funded through grants and private donations. Because they predominantly serve families, they have a wide range of youth programming—including computer classes.

Additional services that cater to specific needs of various subpopulations improve tenant outcomes.

People experiencing homelessness enter housing projects with a wide variety of needs based on their backgrounds. Families exiting homelessness may need additional support with getting their children to school, accessing childcare while they are at work, and finding jobs. Older adults exiting homelessness may need to access regular medical care, require in-home support, or need help with daily tasks like grocery shopping.

Each project kept in mind special considerations when providing services for their residents, working with them to access the services and assistance programs available to them based on their unique backgrounds. Additionally, some projects were able to go even further, implementing additional services that catered to the specific needs of their target subpopulations.

Older adults

As Hawai'i's population ages, the need for additional services for older adults will continue to increase. Among single homeless adults nationwide, approximately half are 50 years old or older.[15] This phenomenon is felt in Hawai'i where, according to the Institute for Human Services (IHS), the percentage of homeless seniors at their shelter facilities has doubled in the past seven years.[16]

As the population of older adults experiencing homelessness continues to grow, projects aiming to provide permanent supportive housing are taking into account special considerations for this sub-population. Two projects surveyed were designed to serve older adults. One of the projects surveyed specifically served those experiencing homelessness over the age of 62. The service provider for the project provides tailored services, making sure that residents can access regular medical care and have transportation to and from their appointments, helping residents apply for Medicare, Social Security, and SNAP programs, assisting residents with accessing food where grocery options are limited, and providing daily services for residents who are aging.

Families

Across the state, there are approximately 376 families with minor children experiencing homelessness and nearly 3,600 students who are experiencing unstable housing.[17] The number of families experiencing homelessness has decreased by 56% since 2016, largely due to increased investments in affordable housing and resources for families with minor children. Of the projects surveyed, four considered families as a high-priority population when screening candidates for their project.

Families experiencing homelessness have unique needs that projects took into consideration in envisioning their services. One project aiming

to house families used private donations and grant funding to offer youth programming, child care, and transportation to school to ensure that parents were able to balance parenting and finding and keeping a job. The project also provided financial counseling and job readiness programming for adults to help families get back on their feet and manage their monthly expenses. These population-specific services helped residents access services and build skills to stay housed long-term.

Youth populations

According to the 2022 PIT Count, there were 256 young people (ages 18-24) who were experiencing homelessness.[18,19] Of the eleven projects surveyed, only one project focused exclusively on housing young adults. This project provided housing for young adults aged 18-24 who were experiencing homelessness or at risk of homelessness through referrals from youth service providers.

Through their service provisions, the project was able to provide young people with population-specific programming that helped them gain housing and job stability. The on-site resident manager provides intensive case management services to make sure that residents who may be falling behind on rent have a plan to pay back rent over time. They conduct regular workshops on job readiness and financial management to help residents build a foundation of healthy habits that can keep them housed in the long-term. Additionally, the project is able to offer a behavioral health specialist to help residents work out interpersonal conflicts among residents.

Creating community among residents helps decrease conflict and increase pride in their living community

Service providers, in addition to providing case management and programming for individuals, also emphasized building community among their residents. Non-traditional housing projects are often designed to house individuals on tight budgets and with limited space, which can require residents to share communal spaces and live in close proximity to their neighbors. Most of these projects operated during COVID-19, which limited the opportunity for residents to interact and build community. Projects surveyed all underscored that as COVID-19 protocols loosened, creating a sense of community among residents was a top priority.

Community councils give residents the opportunity to work out issues and have decision-making power in the project

Some projects surveyed had experimented with implementing community councils to allow residents a space to work out issues, voice concerns, offer help to other residents, and vote on various aspects of communal living. These councils were intended to help build community among residents, bringing people together regularly so residents could get to know their neighbors and have actual

At the Haleʻiwa Project, service providers host optional paid work day opportunities for its young residents to earn extra income.

decision-making power in their living community.

While these community councils were effective overall, some aspects may have exacerbated some existing conflict. Property managers noted that electing leaders of the council evolved into a "popularity contest," which caused some tension among residents and distracted from the project's overall goal. A community council can also only be implemented if the property manager and service providers are willing and ready to give residents some level of real decision-making power.

Many properties experienced success in holding community events that allowed residents to build relationships

Services providers at various projects, particularly those with small individual living spaces, hosted regular events to allow residents space to come together and get to know each other. One project serving youth populations hosted regular movie nights and communal dinners, which proved popular among its residents. Other projects hosted barbeques and social events in shared spaces so residents could meet each other, particularly as COVID-19 restrictions loosened. Many design elements of these projects had lanai spaces facing other houses to help encourage friendly interaction among residents.

These gatherings and project design elements allowed for residents to connect with one another and build trust. Creating a community allows residents to trust each other enough to ask for help, such as asking for a ride to a doctor's appointment or watching a neighbor's child after school while they finish a shift at work. This helps decrease the rate of interpersonal issues among residents, which reduces the need for property managers and service providers to spend their time mediating conflict. Building community also helps residents develop a sense of pride and belonging at a project, especially when coming from tight-knit encampment communities into a completely new living situation.

Non-Traditional Housing

Recommendations

Based on feedback provided from stakeholders, this report makes the following recommendations related to development, operations and services for future non-traditional housing projects.

The Sacred Heart project in Pāhoa in Hawaiʻi County used prefabricated construction and private fundraising to provide housing for seniors at risk of homelessness or experiencing homelessness. Because Pāhoa is a lava zone, developers used private donations and grants to build the project.

Development

1. Emphasize the importance of permanent legislative methods to expedite the development of projects addressing homelessness and affordable housing.

Dependence on emergency proclamations is not sustainable in perpetuity, and can cause confusion and legal implications for those involved in the development process. They also act as a temporary solution, and projects may eventually need to obtain permits to comply with State and county regulations. The State and counties should do a deeper analysis into which waivers, exemptions, and expedited processes offer the most benefits to developers and pass permanent legislation to streamline and codify building processes for projects addressing homelessness. In addition, developers should consider additional ways to utilize existing exemptions, such as Chapter 201H or other local ordinances, which may allow projects designated for affordable housing to qualify for various waivers.

2. Prioritize building with materials and installing appliances that are readily available locally to reduce ongoing costs of repair and maintenance.

While projects using materials from overseas are attractive given low upfront costs, these can cause significant issues for property managers down the road. As projects—particularly modular and prefabricated builds—are analyzing costs of building materials, they should take into account the ongoing costs of upkeep or replacement. Prioritizing sourcing materials and appliances that are readily available locally will help ease costs and burdens of maintenance.

3. Create contractual incentives to prioritize developers who consult with the target population the project will serve, local residents, property managers, and service providers at the onset of the development process.

While there is much innovative work being done by developers involved in various projects to engage in community consultation, there is no standardized process. Projects built without sufficient community insight can cause problems in maintaining properties and filling vacant units in the long-term. The State and counties can include incentives for publicly-funded projects to consult the target population, property managers, and service providers in the development process.

Kauhale Kamaile in Wai'anae, HI is a modular project designed to house families experiencing homelessness from the surrounding community.

Operations

4. Ensure that projects have a source of ongoing funding to cover essential operations.

Non-traditional housing projects are touted for their low upfront development costs, but many projects interviewed for this project had not identified sufficient ongoing funding to sustain operations and property management services. Interviews with property managers showed that accepting rent assistance vouchers alone was not sufficient for ensuring the financial feasibility of the project. Beyond just the upfront costs of development for non-traditional housing, projects must have sufficient ongoing investment to sustain operational costs while keeping rents affordable for extremely low income tenants. Projects should consider pursuing consistent funding streams through HUD project-based vouchers or other long-term, stable subsidies.

5. Include a contingency maintenance fund in operations contracts so the upkeep costs do not solely fall on property managers.

Agencies providing property management services may be financially responsible for unexpected costs incurred during their lease term. Some projects had access to a contingency fund to cover various unforeseen maintenance costs, which reduced both the burden and the risk for the property managers. Making contingency maintenance funds a standardized practice across county and State contracts will help ease the level of risk assumed by property managers under a lease.

6. Consider partnerships with other agencies to share expertise and risk.

Some agencies found that executing contracts in partnership allowed them to exercise their organizations' unique expertise while sharing the financial risk associated with managing a housing project. Working in partnership helps bring in diversified sources of revenue in the forms of private fundraising or other grant funding to provide homelessness services. Thoughtful partnerships can help ease financial burdens associated with property management, such as unforeseen maintenance issues, while sharing work collaboratively.

Services

7. Identify sources of funding to diversify revenue streams, including Medicaid Community Integration Services (CIS).

As many service providers underscored, rent revenue alone will not cover the costs of services. Projects relying on time-limited funding sources to cover costs of all or some services will need to diversify their revenue streams. For many projects, the use of private donations and grants was essential in covering the costs of their services. Another potential consistent source of funding could be through Medicaid's Community Integration Services (CIS) program. Recently, Medicaid launched its CIS program to provide Pre-Tenancy and Tenancy Services that support Medicaid members in obtaining and maintaining stable housing. Homeless service providers who obtain Medicaid authorization may be contracted to provide CIS to qualified members. This program can help service providers target services for specific needs of sub-populations beyond case management services.

8. Continue and expand targeted services for specific subpopulations.

As many of these projects already have demonstrated, providing targeted services for people exiting homelessness is crucial for the long-term success of a project. Beyond case management focused on housing retention, projects should provide services that help their target population thrive. This can include child care and job training for families, medical care and transportation for older adults and people with disabilities, and employment opportunities and behavioral health services for young people.

Several projects encouraged residents to cultivate their own food on-site to foster a sense of ownership and pride in the living community.

Non-Traditional Housing

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