

## **EXECUTIVE SUMMARY**

### **Report Summarizing Recommendations for an Affordable Housing Funding Strategy**

Prepared for



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F O U N D A T I O N

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Using a combination of stakeholder conversations, in-depth interviews with recipient families, a detailed literature review, and secondary data analysis, this report summarizes learnings relevant to an affordable housing grant making strategy focused on housing stability for households with children in Hawai`i.

The affordable housing crisis in Hawai`i is complex and it is important to understand the challenges facing various sub-populations. Those higher up on the income spectrum—including the vast majority of current homeowners—are extremely well served by the existing system, which prioritizes wealth accumulation through extremely low property taxes, distortionary Federal subsidies, and the capture of economic rents due to a politically maintained housing shortage. At the other end of the spectrum, houseless families and those earning below the federal poverty line are best served by programs that allow them to get or remain housed without incurring the risks associated with homeownership. Thus, we recommend an investment strategy focused on low-income demographics for whom unsubsidized homeownership is permanently out of reach but not financially irresponsible.

Our discussions with families in this demographic reinforced the need for increased programming. Families described struggling to afford housing and facing constant threats to housing security. The families that we spoke to faced multiple overlapping barriers to homeownership and often spent years working to become credit worthy and secure a down payment. Importantly, families also recognized that homeownership is an important investment and were willing to defer opportunities until one emerged that fit their specific needs.

Based on the stakeholder engagement we make two sets of recommendations. The first comprise general principles to drive grant making. They include: (1) Given the Foundations priorities, we recommend focusing on housing subsidies rather than investing in the political advocacy related to the supply crisis; (2) The Foundation should focus its investment to low-income families where it can have the greatest impact in terms of stability and security; (3) While the administrative challenges should not be ignored, we recommend the Foundation pursue opportunities to invest in development on Hawaiian home lands; (4) Although some level of stability will be lost, we recommend the foundation also consider rental property investments, assuming they have mission driven management with rent tied to income; and (5) Rigorous evaluation should be built into all investments.

In terms of specific programmatic investments, we suggest the following as potentially impactful targets: (1) Supporting the expansion of down-payment assistance programs; (2) Creating a pre-development loan fund managed by a local Community Development Financial Institution (CDFI); (3) Investing in organizing and training designed to increase expertise within the local development community, specifically developers with a genealogical connection to the Hawaiian archipelago; and (4) Incentivizing more investment in Project-Based Section 8 development via the creation of a loan fund.