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The Last Wave

By David Choo

It was the rain that was the worst, especially at night." Everything would get wet, and there was nothing you could do about it. It's such a helpless feeling," says Cheryl Kauo, a onetime homeless mother of five. "I would just cry and cry. I just couldn't believe that we were living on the beach. I had tried everything to avoid going there. "For three months last year, during the Islands' wet winter, Cheryl, her husband, Jack, and their children called Maili Beach Park home. The couple never expected to find themselves there. Both Cheryl and her husband work full time. She's a clerk at a Eleven store and earns the minimum wage. He works for a moving company and is paid quite a bit more.

The family used to share a two-bedroom apartment in Waianae, for which they paid \$675 a month. It was a tight fit, but the price was right. Then, three years ago, their rent was suddenly raised to \$900, so the couple went looking for another place. After months of searching, they found a two-bedroom house in Makaha. There was more room for the kids, but it came at a steep price: \$1,500 a month. "I knew it was a lot, but we thought we could do it. We thought we should at least try. We were both working after all," says Kauo. "But eventually we fell back a month and every time we tried to catch up, we fell further and further behind. I tried to budget correctly, stretch everything, but the rent just got to us."

Today, Kauo and her family are residents of Maili Land, a transitional housing facility for families run by Catholic Charities Hawaii (CCH), No. 247 on Hawaii Business' 2006 Top 250 list. A mustard-colored complex of 40 one-bedroom, two bedroom and studio apartments, Maili Land sits just a couple of blocks away from the beach where the Kauos once lived. "There isn't a day that goes by that I don't worry about going back to the beach," says Cheryl, who will have to move out of Maili Land in a little more than a year. "I'm not sure what I could have done differently and that scares me."

Economic Boom, Social Bust?

It's not supposed to be like this. Hawaii's economy is booming. The state's 3 percent unemployment rate is second only to South Dakota's 2.9 percent, and the Islands' 4.8 percent gain in gross state product in 2005 (\$53.7 billion) ranked at No. 10 in economic growth among the 50 states. Driving this growth are Hawaii's traditional economic engines: tourism, construction and real estate. According to the state's Department of Business, Economic Development & Tourism (DBEDT), in 2006, visitor days are expected to increase 3.3 percent, to 69.7 million days, and total nominal visitor expenditures are on track to increase by 4.7 percent, to \$12.3 billion. In 2007, visitor days, visitor arrivals and visitor expenditures are predicted to increase 2.6 percent, 2.7 percent and 5.2 percent, respectively, followed by moderate increases in later years.

In addition, DBEDT reports that in the first quarter of 2006, private building permits totaled \$774 million, following the nearly \$3.5 billion worth of permits in 2005. The big numbers bode well for an already vigorous construction industry. Moreover, according to the Honolulu Board of Realtors, Oahu single-family home resales in the first quarter of 2006 were 943, down 3.4 percent from the first quarter of 2005. However, the median sales price of single family homes was \$625,000, up 18.1 percent from a year ago. First-quarter condominium resales of 1,687 were down 4.8 percent from 2005's 1,772 units sold. But the median sales price climbed 34.9 percent, from 2005's \$220,000 to \$309,000. In 2005, companies on Hawaii Business' Top 250 list recorded all-time high sales of \$38.9 billion dollars, a 14.2 percent increase over 2004 sales of \$34.0 billion. It was the largest year to-year increase on the list (15.2 percent) since 1989, the height of the Japanese bubble economy.

Of the big three, construction companies posted the largest sales gain at 25.4 percent, real estate followed close behind at 24 percent and tourism companies

posted an impressive 12.6 percent increase in sales." When the economy is good is the time to take a hard look at the issues. We need the political leadership to look beyond the latest boom and look for the times when there will be a downturn, because it will come," says Bill Kaneko, president and Occupation CEO of the nonprofit, nonpartisan and independent research and educational organization the Hawaii Institute for Public Affairs (HIPA).

"It is imperative that policy makers, elected officials and business people look at diversifying our economy as an essential component to creating a Hawaii that we want, one that produces living wages, high-end managerial jobs and a variety of industries. Our current economy is doing very well, but a lot of people aren't riding the wave this time around." Boomtown, HI Although it doesn't have the commanding views of Kakaako's soon-to-be-built high-rise condos, nor the elegant rooflines of Kahala's just-been-renovated homes, Maili Land may be Hawaii's true boomtown, a far more accurate barometer of the Islands' economic health.

Approximately 85 percent of Maili Land's adult residents have full-time jobs, yet they still got hit by the business end of the state's economy, pushed out of their previous homes by rising rents, changing ownership and unexpected events, that altered their economic footing. Three years ago, many of Maili Land's residents seemed able to make ends meet, as hard as it was. Some, like the Kauos, even thought that they could increase their standard of living. But then the "good times" headed Ewa. Leeward's homeless problem has reached a crisis point. An estimated 4,000 in the district are without homes and many crowd area beaches. Last June, Gov. Linda Lingle pledged that by the end of the year the state would set up emergency shelters for the Leeward Coast's homeless.

This time around, social workers are noticing a worrisome change in the dispossessed." Today's homeless issue isn't about the mentally ill wandering the streets. Now we are talking about good, hard-working families, some of whose members are working multiple jobs," says Sylvia Wong, CCH's vice president of development. "Whenever the economy heats up, we in the social services see a widening of the wealth gap between the haves and the have nots. But this time, it's wider and it's reaching further up the ladder."

Maili Land isn't a free ride on the government gravy train. Residents pay between \$325 and \$410 a month for their apartments. The rent includes utilities, unless the resident has an air conditioner. Job training is required and placement is available. All adult residents

of Maili Land are subject to random drug tests. If they are found to be using illicit drugs, they are required to enter a drug rehabilitation program. After two years at Maili Land, tenants must move on regardless of whether they have been able to secure affordable housing outside or not. In spite of, or maybe because of, these rules and benefits, the folder of applications to get into Maili Land is more than six inches thick.

Last year, CCH officials were able to place 15 families into a neighboring affordable housing complex. However, there are no more such units available on the Leeward Coast or throughout the rest of the island. And it's certainly not just a problem on Oahu. Officials at CCH's 24-unit housing facility in Kawaihae on the Big Island of Hawaii have released three families in the past six months. None of those clients could find affordable housing in Kona or Waimea, where the adults worked. One family moved in with relatives, another went to live with their minister, and a third went back to the beach." There was just no place to rent in Kona or Waimea, even if our clients could afford market price, which they can't," says Wong.

"The hotels are going to have to realize that they have to chip in and help the situation, or they're not going to have anyone working for them." In 2005, CCH served approximately 1,000 individuals, which represents 8 percent of Hawaii's homeless population of 14,000. According to Wong, in 10 short years, CCH's gross revenues grew from more than \$3 million in 1996 to \$21.5 million in 2005. The organization's homeless program used to be one of its ancillary services, concentrating mainly on elderly and transitional housing. However, in just two years, CCH's contract with the state to service homeless families has quadrupled, from \$500,000 to \$2 million. If the Islands' housing prices continue to increase at their current rates, Wong believes that her organization's work and Hawaii's homeless population will double or even triple in the next five years.

Not Just Jobs, Good Jobs

According to the Bureau of Economic Analysis, in 2004, per capita personal income (PCPI) in Hawaii reached \$32,625, which ranked it 20th among the 50 states and near the national average of \$33,050. Although Hawaii's per capita personal income has been rising, its rank relative to the other states has fallen. In 1994, Hawaii's PCPI was \$24,777, ranked eight in the United States. Meanwhile, the price of paradise keeps going up. In 2003, the Hawaii State Commission on the Status of Women released **The Self Sufficiency Standard**, a study which calculated the bare-minimum costs for housing, childcare, food, transportation, health care, miscellaneous (clothing,

shoes, household items, telephone, etc.), and federal, state and local taxes. The study found that a single parent family in urban Honolulu with one preschooler and one school-age child required \$38,497 to meet its needs.

That same family in Lahaina, the most expensive area in the state, needed \$ 51,002. In the least expensive area of the state, Hawaii County (excluding Kamuela, Kailua-Kona, Keauhou and Holualoa), the family required \$34,935 to meet its basic needs. That urban Honolulu single parent would have to earn \$19.88 an hour to pay all of the family's bills. If the family has two parents, each adult would have to average \$10.88 per-hour.

Those numbers made Honolulu the third toughest city of the 34 surveyed to make a living. Only New York City (\$23.23 an hour) and San Francisco (\$25.91) were more expensive. "Before, if you had a middle-class job, you could make it. But those people are finding it harder and harder to make a go of it in Hawaii," says Sylvia Yuen, director of the University of Hawaii's Center on the Family. "These kinds of problems used to affect only 'those guys.' It never affected 'us.' Today, I think most everyone is finding it harder to get by. It's not just the poor. Ask the fireman or the teacher, who can't afford to buy a house."

"Now we're seeing that even in a low-unemployment economy people can work two or three jobs and still struggle," says James Koshiba, one of the principal investigators for HIPA. "Companies and industries have to ask themselves how many living-wage jobs they are creating, rather than just how many jobs overall.

A simple way to put it is, how many good jobs are out there? "Not many. Of the top 10 occupations in the state in 2004, only one (registered nurses) made enough to satisfy the Hawaii Commission on the Status of Women's **self-sufficiency standard**. According to HIPA's 2005 report, "A New Economy in Hawaii," less than onethird (31 percent) of all Island jobs paid a wage that exceeded that standard.

"We have a service economy. That's our problem. Many [workers] aren't high-wage, earners, so they have to work two or three jobs just to make ends meet," says Catholic Charities' Wong. "That group is growing and that's the group we're seeing today." "I don't think people in the social services can solve the problem. All they can do is serve the immediate needs of the people. This problem is too big, it is beyond them," says Yuen. "Policy makers and business people may be able to slow it down, maybe they can make some

structural changes to the economy. We are all in this together. We're all connected.

"Back to the Beach?"

Diversification, investing in high-tech industries and improving the public schools are just a few of the myriad strategies to fix Hawaii's economy that have been pondered for decades. None of them, however, will change Hawaii's economic structure before Cheryl Kano and her family have to leave Maili Land next year. But she's already preparing for that day. She's been saving money, and her husband is applying for a second job at Campbell Industrial Park. If they can't make it on three incomes, she's willing to take on an additional job herself. Surely, our incomes should be enough to support a family on the Leeward Coast." As it is, my husband and I hardly see each other," says Kano. "But if that is what it takes, then we're just going to have to try. You have to try. I'm hoping things don't get any worse. But who knows how much higher rents will get. To tell you the truth, I'm not so optimistic."