

**County of Kaua'i  
Planning Department**

**General Plan Update Technical Studies  
Technical Advisory Committee (TAC) Meeting #4  
Thursday, July 18, 2013  
9:30 AM – 11:00 AM in Piikoi Building, Room B**

<b>TAC Members (11)</b>	<b>Organization/Title</b>	<b>Present</b>	<b>Excused</b>	<b>Absent</b>
Barbara Robeson	Community Representative	X		
Beryl Blauch	Community Representative	X		
Carl Imparato	Coalition for Responsible Government		X	
Dustin Moises	Water Department	X		
George Costa	Office of Economic Development	X		
Imai Aiu	Housing Agency	X		
Keith Nitta	Former Long-Range Planner	X		
Lyle Tabata	Deputy County Engineer	X		
Ray McCormick	State Department of Transportation	X		
Susan Tai Kaneko	Kaua'i Economic Development Board		X	
Tom Shigemoto	A&B Properties		X	

<b>Others Present (4)</b>	<b>Organization/Title</b>	<b>Present</b>
Peter Nakamura	County Planning Department	X
Marie Williams	County Planning Department	X
Marisa Valenciano	County Planning Department	X
Barbara Pendragon	County Housing Agency	X
Kim Hester	County Real Property Division	X

**Summary Minutes**

Meeting convened at 10:10 AM.

Marie Williams convened the meeting and apologized for the delay in the meeting start time.

SMS-Hawai'i Presentation of Pre-Final Socio-Economic Analysis and Forecast

Jim Dannemiller reviewed the geographical divisions used in the report, and highlighted the boundary discrepancies between planning districts and judicial/census districts. He said there was not too great of a conflict given that the urbanized areas fall neatly into the same districts, with the exception of Hanapēpē/Eleele which comprises its own planning district.

The first forecast presented was the population projections. Jim showed a chart that mapped how population and economy are linked, and how in turn they affect housing units and visitor units. He explained that visitor units and housing units have a complex linkage given that portions of each inventory switch places depending on economic conditions and visitor unit demand. However, this connection is somewhat tenuous and difficult to quantify without an in-depth analysis.

Previously conducted Kaua'i County resident population estimates were compared to actual population growth. In 1997, DBEDT projected a 2020 resident population of approximately 72,000. The General Plan adopted a 2020 resident population range that encompassed the DBEDT 2020 resident population projection. Generally speaking, the trendline following the General Plan's mid-range projection has proved accurate thus far, although actual population growth did not exactly follow a straight trendline.

More recently, the 2009 Solid Waste Management Plan population projections projected steeper growth than what has actually occurred in recent years. DBEDT's most recent projections (out to 2040) follow the trendline set by recent residential growth since 1990. The County's Multimodal Transportation Plan projects a lower average annual growth rate than DBEDT's 2040 projections.

The consultant's draft projections, developed using the General Plan Update Forecast Model, include a range with a low end at 0.06% average annual growth rate to a high end of 1.20% average annual growth rate. Jim noted that this range is much tighter than the existing General Plan's growth range and that his best projection (mid-range) is very close to a one percent average annual growth rate. Comparatively speaking, the average annual growth rate from 1990-2000 was 1.24% and during 2000-2010 it was 1.39 %. Jim acknowledged that it is difficult for the layperson to visualize population growth at a certain average annual percentage. Therefore, he also explained the population growth range in terms of "new persons per year". For example, at a 0.6% annual growth rate there are 457 new persons a year. At the high end of the draft projections, 1.2%, there are 918 new persons a year.

The presentation moved onto how overall population growth is allocated to the six planning districts. Jim warned that allocation of future population is largely a policy related issue and he therefore produced a model where allocation percentages can be adjusted. Based on the analysis using historic allocation percentages and existing General Plan policy, by 2035 East Kaua'i will continue being the most populous district, but Līhu'e will grow the most significantly, followed by South Kaua'i. The less populated districts of Waimea, North Shore, and Hanapēpē-Eleele will experience flat growth.

Barbara Robeson requested that a new graph is created showing the percentage of new growth for each district.

Regarding population age distribution, the percentage of younger residents will decline by 2035. In other words, trends indicate there will be an increased number of older residents in the future. This represents significant demographic change that is unlikely to reverse, unless a drastic and unforeseen economic change occurs (such as growth in a new industry).

A graph illustrating total in-migration and out-migration against net migration since 1990 was shown. In recent years, out-migration and in-migration were almost equal, but there was a decade-long period where in-migration exceeded out-migration.

The components of population change, from 2000-2010, were compared to new changes from 2010-2012. Lately, there has been an increase in annual births, but this was accompanied by more annual deaths. In other words, natural change is up but net migration is down. This equates to comparable net annual growth between both time periods.

Dustin Moises asked if Kaua'i births in O'ahu hospitals are included in total Kaua'i County births.

Jim said he thought that they were.

The total households projection was based on assumptions regarding average household size. The 2010 census showed approximately 2.8 persons per household on Kaua'i. Jim utilized a projection of 2.9 persons per household based on the assumption that density will increase in certain areas.

George Costa asked about effect of highly dense areas like Hanamā'ulu on total households. Jim Dannemiller said the households projection doesn't necessarily show crowding situations in housing units. Housing units and households are separate measures.

Barbara Robeson raised concerns about how the census counts residents. If visitors are not counted as Hawai'i residents then how are they counted in their home state?

Kim Hester said the County uses a yearly stay of 180 days +1 day to determine primary residence status for real property assessment purposes.

Jim explained that the model used to project housing unit growth is quite simple and assumes a less than 1.0% average annual growth in inventory. He acknowledged that housing supply will always lag behind housing demand in Hawai'i due to the high housing costs.

Kim Hester asked about effect of vacant units on the model.

Jim explained that the number of households originates in census data, and then seasonal and vacant units are subtracted out. Therefore, the figures reflect "available" units.

George Costa asked what it means when housing supply lags housing demand. Jim Dannemiller said that that when housing supply matches housing demand, everyone who wants a house is able to afford one. In other words, the assumption is that it's a desirable situation when demand equals supply.

Kim Hester noted that the housing supply and demand lines will never meet, not with Kaua'i's economy and a housing inventory with many visitor units.

Barbara Pendragon said there are more housing units than households, but still not enough for every household to have their own housing unit given the number of visitor units in the housing unit inventory.

A 2006 analysis of Kaua'i housing demand and supply by HUD income levels revealed that the majority of the housing inventory, 58.7 percent, is only affordable only to HHs making 180% of average medial income. Jim Dannemiller explained the distribution of household incomes who desire a house, and how this matches up with the affordability of existing inventory. The graph showed that the housing supply is not affordable to the majority of those households who desire to purchase a home.

Jim Dannemiller said that the high costs are partially driven by the cost of development due to a highly regulated land use regime.

Barbara Pendragon said that the real estate boom of 2006 in Po'ipū was caused by the off-island market, and not necessarily by land use regulations.

George Costa noted that the current trend indicates Kaua'i is reverting to the high, unaffordable housing prices characteristic of the real estate boom in 2006.

Jim continued the presentation with economic projections. The future projection for wage and salary jobs and job growth is a straight function of the ratio of jobs to employed persons. The assumption is that jobs will continue to grow at a historic rate, based on the population growth rate as well. The rationale behind this methodology is that Kaua'i doesn't want to grow the job market faster than its own population.

Future wage and salary jobs were allocated to the six planning districts: Līhu'e has and will continue to have majority of jobs. Job growth in East Kaua'i is not significant. However, Jim Dannemiller raised the issue of flat job growth projections of Kōloa, which may be at odds with the increase visitor unit development in the areas. This projection may need to be adjusted.

Regarding overall employment, the number of employed persons is expected to increase. However, it may be useful to examine how the “labor force” is counted. The traditional methodology counts everyone over 16 as part of the labor force. However, due to Kaua'i's aging population, it may be useful to have an upper age threshold for the labor pool. Jim noted that age is not the only factor impacting size of the labor force, as it is something that ebbs and flows with the economy.

Kim Hester said that Lihue has many government jobs, as does PMRF on the West Side. She noted that many PMRF workers are actually contract workers hired by private companies. She asked if these types of workers are categorized as “government” or “private”.

Jim Dannemiller said that contract workers would fall under the “private” firm that employs them, rather than the government sector.

Barbara Pendragon questioned where PMRF contract workers are counted, in the place where they are working, or at the address of the private firm that employs them?

The allocation of employment to planning areas largely resembles the population projection allocations. The majority of employment will still be in East Kaua'i, followed by Līhu'e and then Kōloa.

Jim Dannemiller showed the projections for Kaua'i visitor arrivals by air, 1990 – 2035, which largely follow state projections. The projections are driven by economic conditions in Major Market Areas (MMAs). Arrivals generated from MMAs are then allocated to islands. Kaua'i arrivals are projected to decrease in 2013/14 according to HTA/DBEDT. In summary, the visitor forecast represents low growth when the historical trends are considered.

Barbara Robeson asked if the chart could be revised to show difference between projected and actual visitor arrivals.

Jim said he would fix the visitor arrivals label (which was mislabeled “visitor units”).

In allocating visitor arrivals by planning area, the location of the visitor's accommodation was used. The South Kaua'i Planning District has more visitor units than any other area, so most visitor arrivals were allocated there. Only five districts were included in the analysis since there are no existing or projected visitor units in Hanapēpē.

Jim showed the visitor unit projections to 2035, with the caveat that the supply of visitor units is dependent on several factors, particularly visitor arrivals (demand). Generally speaking, the visitor inventory growth projections are modest, and Jim feels that growth in the inventory will not change drastically.

Imai Aiu noted that even if visitor arrivals decline, that a large portion of the visitor unit inventory will not be able to transition over to long-term rentals.

George Costa emphasized the importance of the Individual Vacation Unit (IVU) sector to Kaua'i. He said that we are missing a lot of data on the IVU sector since HTA does not survey them regularly, not do they report occupancy data to HTA. He also noted that several hundred IVUs dropped off the most recent Visitor Plant Inventory (VPI).

Barbara Robeson asked if the Transient Accommodation Unit Certificate Allocation Program (TAUCAP) affected the visitor unit projections.

Jim Dannemiller said that TAUCAP was not integrated into the projections.

Imai Aiu asked if the overall count will be fixed in VPI and what can be done to improve the count.

Jim explained why there was a discrepancy in IVU counts between the 2011 and 2012 Visitor Plant Inventory reports. Outstanding issues in count methodology will be resolved in the future. He also said the best thing to improve accuracy in the visitor unit projections is to look closely at projected visitor arrivals, which correlates with visitor unit demand. Demand determines supply.

Imai Aiu suggested that the high end of the range be used for planning purposes, so demand can be managed properly. The default should be a higher number to better determine capacity.

Kim Hester asked what kind of accommodation unit do visitors prefer. Visitor preference plays a role in type of visitor units we should plan for.

Barbara Pendragon requested data on the number of visitor per unit.

Jim said there are approximately 2 persons per visitor unit. This figure rises to about 2.3 persons during good economic conditions.

Barbara Pendragon asked for more information on how persons per visitor unit changes with visitor unit type.

Imai Aiu said that although the rough calculation shows an average of 2 persons per room, this number differs depending on the type of visitor accommodation. A five-bedroom vacation rental houses more people than a hotel room. More detailed information will help determine what types of visitor accommodation are needed.

Kim Hester noted that the resort development trends are changing too.

George Costa said that instead of traditional “vertical” growth, such as a hotel, “horizontal” growth (in the form of resort subdivisions) is more common.

Kim Hester said that new types of residential timeshares are emerging.

Jim said that data in this area is difficult to track.

Kim Hester said that all visitor units are subject to the transient accommodation tax (TAT). Therefore, the real property division has good accounting of the total number of registered and unregistered TVRs, as long as they are paying the TAT.

Beryl Blaich requested that the issues and problems with the existing visitor unit inventory are summarized in the report, in acknowledgement that this will affect the forecast of visitor units.

Kim Hester said that real property data might help clarify issues with the visitor unit inventory count, but with the caveat is that no entity has a complete list of all visitor units.

Jim reiterated that the primary problem with the visitor unit inventory lies with the IVUs.

Imai Aiu raised another issue with the IVU definition. For planning purposes, the term transient vacation rental (TVR) is used and it should be noted that TVRs outside the visitor destination area (VDA) are treated differently than TVRs within the VDA.

Kim Hester said that the real property division has started utilizing a neighborhood code of “c” for TVRs,

including “t” for timeshare. It would be possible to map these on GIS.

Jim said he would like to see that breakdown.

Barbara Pendragon said some of the labels on the visitor arrivals and visitor unit projection graphs were confusing.

Jim will fix the labels and send the revised graphs to the TAC.

Jim returned to the question regarding the composition of the labor pool. Even though the standard definition includes all adults over 16 years old in the labor pool, it would be possible to use a modified definition such as adults aged 18-72.

Imai Aiu asked if there is a risk using a methodology that is different from the census, such as underestimating the labor pool and failing to plan for adequate commercial growth. What is the effect of the assumption?

Jim Dannemiller said that by changing the labor pool assumption we reduce the number of jobs planned for the future.

George Costa said there are many jobs occupied by older seniors that may not be desirable to the younger generation. Seniors are an active group, and this is tied to quality of life issues.

Peter Nakamura said that the overall nature of job market is changing in terms of the type and quality of jobs provided. On Kaua'i the service economy is dominant, so there will be many jobs that don't provide a full 40 hours a week.

Barbara Robeson said in the future, an increased percentage of potential retirees will be forced to work due to the cost of living.

Jim said that based on the input received it makes sense to keep the labor pool methodology the same. He also noted that his revisions will largely focus on visitor units.

Marie Williams thanked Jim for his presentation and said she would send out the revised graphs as soon as possible.

The meeting ended at 12:05 PM

Recorded by: Marie Williams, 7/18/13