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# A Tale of Three Cities

DEAN UCHIDA, SSFM'S PRACTICE LEADER FOR REAL ESTATE AND PAST PRESIDENT OF BIA HAWAII, RECENTLY RETURNED FROM A GLOBAL TOUR OF SINGAPORE AND HONG KONG, TWO WORLD CLASS CITIES GRAPPLING WITH THE CHALLENGES OF PROVIDING HOUSING OPTIONS FOR ALL OF THEIR RESIDENTS. AS HONOLULU STRUGGLES TO DO THE SAME, THE TRIP OFFERED THE OPPORTUNITY TO OBSERVE HOW TWO OF THE WORLD'S MOST DENSELY POPULATED CITIES ARE ADDRESSING THE PROBLEM.

## Beginning in Singapore

Singapore established its Housing Development Board (HDB) in 1960, a year after gaining its independence, expressly to solve Singapore's housing crisis. One of Lee Kwan Yew's goals was to improve the quality of life for Singapore residents through home ownership. Nearly 60 years later, the HDB

has developed over 1 million units. While 80% of Singapore's residents live in HDB Housing Projects, 90% own their own homes with 99 year leases from the government.

Development in Singapore is all about density. As an island of 279 square miles, net developable 216 square miles (138,240 acres), Singapore is less than half the size of Oahu and supports a population of 5.6 million. Singapore has a population density of 40.5 persons per acre. In comparison, Oahu's Urban Zoned Land = 101,661 acres and supports a population of 953,207 with a density of 9.4 persons per acre.



*Singapore skyline*

The Singapore government subsidizes its public housing projects. Singapore devotes 14% of its \$82 billion annual budget to the Housing Development Board's projects. (\$1 U.S. = \$1.35 Singapore). During 2017/20-18, HDB Singapore experienced a \$1.8 billion budget deficit from construction, financing, and upgrading public housing projects while constructing 16,000 housing units - an average government subsidy of \$112,500 per unit. Data on the level of subsidy provided by the Hawaii Housing Finance and Development Corporation for its public housing projects is not available at this time.

The country's Central Provident Fund (CPF) is similar to our Social Security program in that it is a mandatory savings plan. However, unlike Social Security, the funds deposited into an employee's CPF Account can be used to purchase a home. In addition, all monies deposited in an employee's CPF Account are available to the employee upon retirement. Employees and employers contribute to the CPF monthly, with 17% of employee's wages contributed by the employer and 20% by the employee. The 37% of the employer and employee contribution are allocated into three accounts: 23% for housing, investment and education; 8% for Medisave Accounts for healthcare; and 6% for retirement.

The tour of Singapore and Hong Kong was organized by State Senator Stanley Chang, Chair of the State Senate Housing Committee. Understanding that Hawaii needs to build its way out of the current housing crisis Senator Chang introduced legislation for a program called ALOHA HOMES that would build workforce housing on state owned lands along Oahu's transit corridor. The tour explored how the housing programs of these two cities' might work in Hawaii.

Tour participants included representatives of the State Housing Agency, Governor's Office, City agencies including the Executive Director for the Cities Transit Project, non-profit housing advocates and private developers. All were volunteers who paid their own way.

### Singapore Housing Development Board Typical Residential Units and Income Qualifications:

Unit Type (99 Year Leasehold Condo)	2 Room Flex (Studio)	3 Room	4 Room	5 Room	Executive
Average Floor Area (sq/ft)	388-485	700	970	1,185	MKT
Average Selling Price	\$113,000	\$194,000	\$295,000	\$381,000	MKT
Median Household Annual Income	\$24,000	\$31,200	\$55,200	\$78,000	\$140,000
Average Monthly Mortgage Payment	\$122	\$498	\$1,001	\$1,556	TBD

*Average Monthly Mortgage payments are typically less than 25% of household income, compared with US households.*

### Eligibility Requirements for HDB Housing

#### Families:

- Be a Singapore Citizen.
- Applicant must be at least 21 years old and a family nucleus (married couples with or without children, divorced/widowed with children, soon to be married couples or orphaned siblings).
- Total monthly household income cannot exceed \$12,000.
- Applicant must not own a private residential property in the last 30 months.
- Applicant must be first time home buyer.

#### Singles:

- Be a Singapore Citizen.
- Applicant must be at least 21 years old.
- Total monthly household income cannot exceed \$6,000.
- Applicant must not own a private residential property in the last 30 months.
- Applicant must be first time home buyer.

### In Retrospect

Singapore's housing program has evolved over time. At its inception in 1960, housing policy provided sanitary living conditions that replaced the prevalent slums and crowded squatter settlements. 21,000 units were constructed in less than three years, and 54,000 units within the first 5 years.

During Lee Kuan Yew's term as prime minister from 1959 to 1990, Singapore experienced the following:

- The Crown colony was dissolved in September of 1963 and Singapore became part of Malaysia, ending 144 years of British rule of the island.
- In August of 1965, Singapore left Malaysia to become the independent Republic of Singapore.
- Unemployment was curbed.
- The standard of living was greatly improved.
- An innovative large-scale public housing program was initiated.

### **The Pinnacle @ Duxton**

*Public housing projects employ high level of design. The award winning Pinnacle@Duxton is the product of an international competition that attracted over 200 entries. The project includes seven, 50-story towers linked by 12 continuous skybridges.*  
<https://bit.ly/2N4MkUt>



Over its first 3 decades Singapore's economic infrastructure was developed, racial tension was eliminated and an independent national defense system was created. Singapore evolved from a developing nation to first world status. Singapore invested heavily to promote economic growth. The Economic Development Board was set up in 1961 and national economic strategies were formulated to promote Singapore's manufacturing, refineries, financial, and shipping/transportation sectors.

Singapore also invested heavily in public education. The education system was designed to be rigorous and intensive, emphasizing immediately practical, rather than intellectual, applications. Technical sciences took precedent over pursuits such as political discussion or philosophy. Around one-fifth of Singapore's budget, is devoted to education, resulting in a large and competent workforce.

Singapore's single level of government is the Prime Minister. The Prime Minister's Office includes 15 Ministries. The Ministry of National Development (MND) is responsible for developing the Strategic Master Plan for future growth, based on economic and population projections.

### **Cohesive Planning**

MND has a strategic system of planning for growth, acquiring land, investing in public infrastructure and developing self-contained residential communities with schools, parks, employment (jobs), retail, offices, commercial, and multi-modal connectivity for walking, biking and other transit. Locating residential units near transit stations or employment centers has minimized the need for automobiles.

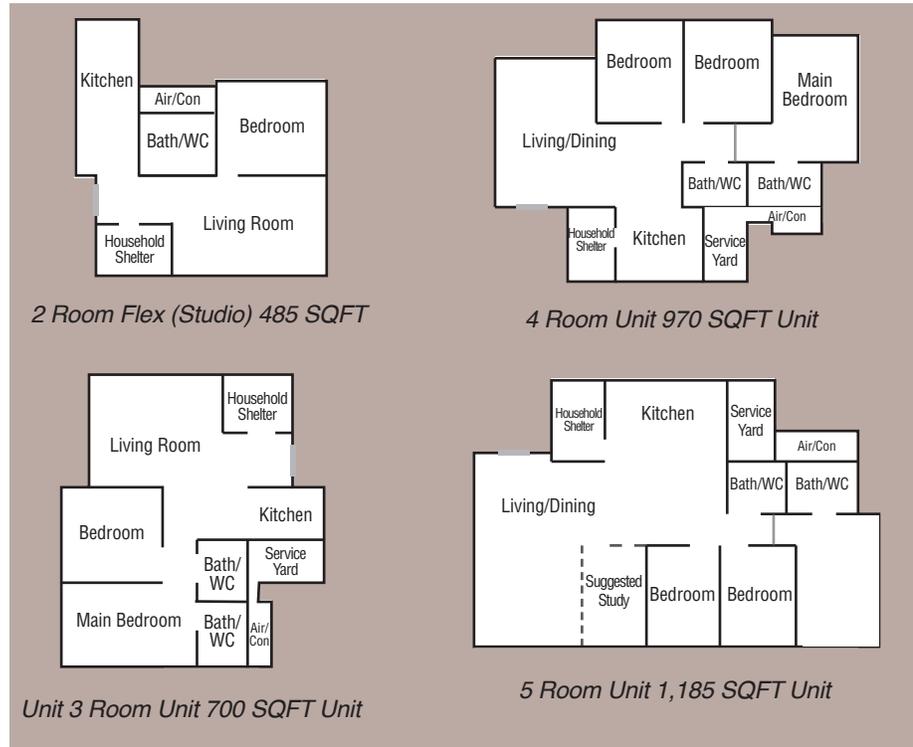
One level of government allows for effective alignment among the various Departments and Authorities to achieve Singapore's planning goals. Key to success is the ability to fully implement the plans they develop.

## Housing Development

Similar to the way the Hawaii Housing Finance and Development Corporation (HHFDC) develops public housing projects, the HDB does site selection, prepares RFP's, and works with developers to master plan each property. Unit sizes and layouts are standardized:

Unit Type (99 Year Leasehold Condo)	2 Room Flex (Studio)	3 Room	4 Room	5 Room	Executive
Average Floor Area (sq/ft)	388-485	700	970	1,185	MKT

**Standardization** means components can be pre-fabricated off site and assembled on-site. Costs are reduced further with pre-fabrication done in Malaysia where labor costs are at least 1/3 of Singapore's.



## On to Hong Kong



*Hong Kong skyline*

Hong Kong became a colony of the British Empire at the end of the first Opium War in 1842. Sovereignty over the territory was returned to China in 1997. As a special administrative region, Hong Kong maintains governing and economic systems that are separate from those of mainland China. The territory has become one of the world's most significant financial centers and commercial ports. Although the city has one of the highest per capita incomes in the world, there is severe income inequality. While Beijing is focused on Shanghai as China's trade and commerce center, Hong Kong is expanding its reach by incorporating the Golden Triangle of Hong Kong, Macau (with its new bridge connection) and Dongguan as its platform for trade and new technologies.

With over 7.4 million people in an area of 426 square miles, Hong Kong is one of the most densely populated places in the world. Hong Kong is just under half the size of Oahu. Hong Kong's population is 3 times that of Oahu's 953,207. Hong Kong's population density of 271 persons per acre is also 3 times that of Oahu. All of the land in Hong Kong is owned by the government with disposition through long-term leases of 50 to 99 years.



***On Tat Public Housing Project, Hong Kong covers 16 acres with approximately 10,000 residential units and 25,000 residents. Five of six projects similar in size to Tat would fit on the existing Aloha Stadium site.***

Hong Kong has a long range Strategic Plan (HK Planning Vision 2030+) which includes housing as one of its key components. Public housing statistics indicate:

- 46% of Hong Kong residents live in Public Housing, 31% in rental units and 15% with subsidized ownership.
- 54% of Hong Kong residents live in Private Housing, 34% with ownership and 20% with owner rental.

Rental housing is a significant component for Hong Kong residents due to the Hong Kong government's various programs. This is different from Singapore when rental units were primarily for non-Singapore residents as they are ineligible to purchase government sponsored housing.

Hong Kong's 2016 Long Term Housing Policy is supply led. It anticipates future demand for housing and increases supply at all price points to accommodate need, adjusted annually as necessary to meet market conditions. The Green Form application process subsidizes the sale of units to match income levels, allowing up to 40% of annual income for mortgage payments. Overages are subsidized by the Government. Subsidies range from +/- 30% to over 52% of the market sale price. There are strong restrictions on what a rental tenant or homeowner can do with the property. Subleasing during the initial period or creating more spaces called "cubicles" is prohibited. Cubicles are rooms divided into smaller units and rented out. Each Cubicle has a bedroom, toilet and kitchen so one can cook, sleep and use the bathroom in the same room.

While these rules are not enforced for existing housing units, they are enforced on all new public housing projects. Violation of any of the terms of the lease is considered a criminal offense.

#### **Tour Takeaways:**

- Both Singapore and Hong Kong have limited developable land to address their housing needs.
- Both Singapore and Hong Kong have one level of government making it easier to focus and align resources to address a common goal, increasing the supply of housing at all price points.
- Both Singapore and Hong Kong are "proactive" in developing different approaches to create more housing for their residents. Both analyze housing, the economy (jobs), and transportation as they project the need for/and location of new housing units. They want residents to live, work and play in the same area to alleviate traffic congestion and provide a better quality of life for their residents.



### About Dean Uchida

Dean Uchida is SSFM's practice leader for real estate. His expertise in land use laws, project entitlement and land management comes from over three decades or working with private corporations and public agencies on projects throughout the Islands. His professional engagements have included a 20 year tenure with the Hawaii's Department of Land and Natural Resources as a District Manager for the Island of Oahu. He was a supervising land agent, executive assistant to the chairperson, and administrator responsible for the management of all state owned lands and engineering services including water development, flood control and dam safety programs as well as the geothermal program. He was also Executive Director for the Land Use Research Foundation and a Vice President at D.R. Horton, responsible for the entitlements and government agreements.

- Both Singapore and Hong Kong benefit from having a thriving, "Pro-Business" government, focused on competing with other countries for commerce, whether it is tourism, trade or service industries (i.e. financial services).
- Both Singapore and Hong Kong reduced the cost of construction of their public housing projects by using modular or pre-fabricated construction using a standardized floor plan for its units. Fabrication of the modular or pre-fabricated sections is done in Malaysia or China.
- Singapore doesn't own all of the land in the Country but it has extremely flexible condemnation powers that allow it to acquire land in areas they identify for future growth.
- Hong Kong owns all the land so all dispositions are leases, both long and short term. However, because Hong Kong owns all the land and it generates its government operating expenses from the sale of long term leases, the release of more land for public housing may be viewed as lowering the overall value of other lands that are sold at public auction.
- Hong Kong uses future real estate lease revenues as "gap" financing for all their rail (transit) projects. Developers are paid for their investment in building the next leg of the transit alignment by getting development rights at one or more transit stations. The amount of land and stations are negotiated between the developer and government based on the cost of the new segment of the rail.

### Lessons Learned

Singapore and Hong Kong offer great lessons for how any city can begin to address their housing shortages. Many of these time tested concepts could be departure points for Honolulu.

In order to increase the supply of housing at all price points, there needs to be more efficient "alignment" of the numerous government agencies (Federal, State, Counties) that are involved in any new housing development. Government could incentivize new housing development by implementing the following:

- Coordinate the use of Federal Highway Funds to improve access to and from new housing development.
- Coordinate infrastructure (State/County) to support planned growth for development, and include Coordination between the State and County to provide more zoned lands, both public and private, to support planned growth.
- Require all Federal, State, County new housing projects to use pre-fabricated construction methods to create a market that would attract private investors to build pre-fabrication plants in Hawaii. Once a plant or factory is established in Hawaii, smaller private developments may use pre-fabricated components to lower overall construction costs and make housing more affordable.