"HAWAII-THE NATION'S SMART GROWTH LABORATORY"

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INTRODUCTION:

Thank you and Good morning.

On behalf of Governor Cayetano, and all the people of Hawaii, I would like to welcome you to the 2001 conference of the Western Interstate Region of the National Association of Counties. We are honored, and indeed delighted, that you have chosen our beautiful state to host this year's proceedings.

I will begin my remarks with some background information about the State of Hawaii, and then share my views on the Smart Growth movement. Then, I will try to tie these topics together to illustrate some of the "lessons learned" in Hawaii, with the hope that these lessons will be helpful in the planning efforts in your own communities.

HAWAII BACKGROUND:

I know that most of you are not from Hawaii, so I hope this brief introduction will be useful. Of all the developed archipelagos in the world, Hawaii is clearly the most isolated. We are 2,400 miles from California and 3,800 miles from Japan. We have a total population of 1.3 million people scattered across 6,400 square miles of land area on 131 islands, of which only 7 are inhabited. Our state ranks 47th in the nation in area, and 42nd in population. Hawaii's diverse culture has not had an ethnic majority since the early 1900's. Today, approximately 22% of our population are Caucasians, 19% are of Japanese ancestry, 19% Hawaiian or Part Hawaiian, and 13% Filipino.

The National Association of Counties is particularly important to us since we are the only State in the Union with no municipalities. We have only a state government and five counties. Our peculiar structure is really a hybrid, since we refer to our county executives as "Mayors", and the Island of Oahu is officially named, "The City and County of Honolulu".

Our highly centralized state government is also unique, a legacy of Hawaii's history as a kingdom. There are statewide schools, state run hospitals, state airports, state harbors, state libraries, statewide zoning and even a state-owned football stadium. We have a state income tax, state excise tax, and a state hotel room tax. The Counties must rely solely on real property taxes, user fees, and various transfer payments. Not surprisingly, there is a growing discord between the counties and the state over the issues of home rule and taxing powers.

In the last twenty years, Hawaii has undergone two major structural shifts.

A. The first is the transition from an agricultural to a tourist economy. In 1980, we had 15 sugar plantations and 3 pineapple companies, employing 7500 people and contributing $821 million dollars to the gross state product. In 1999, there were 3 sugar plantations, and 1 pineapple company employing 2,500 people, contributing only $276 million dollars to the gross state product, a decline of almost <u>two thirds.</u>

Today, our core industry is tourism. This is an 11 billion dollar a year industry, accommodating 7 million visitors annually. The visitor industry exceeds all other industries combined, including the military and agriculture.

B. The second major shift is the one we are all experiencing, that is, the movement to a High-Tech economy. In 1980 high-tech jobs were not even classified in our economic statistics. In 1999, our technology sector accounted for more than 12,400 workers, generating $583 million dollars in wages and salaries.

Please set these facts aside for a moment and let's talk about smart growth.

SMART GROWTH BACKGROUND:

O.K, so what is this Smart Growth, a phrase you will hear a lot in the next few days? The term itself was popularized, if not coined, by Maryland's Governor, Parris Glendening. Other, somewhat synonymous, terms are "livable communities", "growth management", "sustainable development" and "growing smart". To be honest, the phrase has become something of an "Alice in Wonderland" term that means whatever people want it to mean. Frankly, I prefer the old fashioned term, "Good Planning"!

It's probably easier to start by discussing what Smart Growth is <u>not</u>.

First, it is <u>not</u> a partisan political movement. Of the four States that are the leaders in Smart Growth, Maryland and Oregon have Democratic Governors, and Utah and New Jersey have Republicans.

Secondly, it is not a <u>"no growth"</u> movement. In round numbers, the United States has a current population of approximately 280 million people. Assuming a growth rate of 2% a year, we will reach a population of 400 million in twenty years.

A disproportionate share of this growth will be borne by the Southwestern and Western states. More importantly, in many areas, land is being consumed at a rate four times faster than the population growth. The challenge therefore, will be to plan for, and accommodate growth, not stop it.

And lastly, it is not an <u>environmentalist</u> movement, although they will continue to be strong supporters. All over the country, it is the <u>business leaders</u> who are asking, "what is the cost of pollution, blight, and sprawl on our local business climate". And, more often than not, they do not like the answers they are getting.

WHAT IS IT?

To me, Smart Growth means a return to the older, civic model of planning, where the public, and their elected leaders, shaped the vision for their community. The community drove the plan and development adapted to it. In most counties today, it seems to be the other way around.

Smart Growth is about the Rebuilding of Partnerships. It encourages the state, counties, cities and private sector to work together to achieve the community vision.

Smart Growth is a Fair Share initiative. It recognizes that taxpayers are increasingly insistent that new developments do not transfer their public service costs and secondary impacts, to existing residents.

Smart Growth is a Growth Management Program. It seeks to contain urban sprawl and preserve agricultural lands and open space. It is a tool to control the cost of government and preserve our natural amenities.

and, Smart growth is an Economic Development Initiative. It is about making communities competitive in attracting an increasingly "footloose" new economy. It seeks to recapture the under-utilized value of lands in existing developed areas through in-fill, mixed use, and brown field developments. Smart Growth acknowledges that the natural environment is the key attraction for tourism, small business, and High-Tech companies.

LESSON LEARNED:

Like most states, Hawaii has initiated some of the aspects of Smart Growth; we just never labeled it as such.

I would like to share with you some of these efforts and the lessons learned to date. Remember that Hawaii's isolation makes us a unique social laboratory. We are largely masters of our own fate, denied the convenience of blaming our neighbors for our problems**.**

Lesson Number One: We have learned that regulatory controls alone will not create the kind of communities we want.

We must reduce the regulatory environment that says, "you shall not", and improve the economic environment that says, "but, if you do this, you will benefit".

For example, in 1961, Hawaii was the first state to enact a statewide land use law, considered progressive in its day. For years, we took as gospel that this zoning kept our sugar and pineapple industries viable, with hundreds of thousands of acres in active agricultural use. But all of these state regulatory controls and county zoning maps have had little effect on preventing the decline of agribusiness or slowing the conversion of prime agricultural lands into residential subdivisions. It was business profitability, not land use maps, the sustained the agriculture industry.

Smart Growth must focus on crafting incentives in the marketplace to encourage the desired development patterns.

Lesson Number Two: We finally recognize that our most important economic asset is our natural environment, especially our ocean resources.

Our natural environment drives tourism, and tourism drives the whole economy. I can't think of any other state so completely dependent on tourism or where the preservation of the natural environment is so critical to economic prosperity.

We need to make a dramatic shift in the long-term management and funding of our natural resources, especially as it relates to tourism. A portion of tourism profits must be recycled to maintain the quality of our environmental amenities. At this last session, the legislature nearly passed a proposal to earmark a percentage of the hotel room tax to help maintain state parks, trails and restrooms. The measure has garnered strong support for next session.

Lesson Number Three: We have learned that we cannot preserve Hawaii's uniqueness if we simply copy mainland zoning laws and building codes.

Our zoning codes were largely adopted from Southern California's, with the emphasis on single family residential communities, highly segregated land uses, and exclusive reliance on the automobile. Not surprisingly, our communities that developed since the 1950's, such as Kona and Kihei, are indistinguishable from those around Los Angeles or Phoenix. We must create innovative zoning and building codes that utilize our tropical environment, augment our historic and cultural heritage, preserve the small towns, and restore the *Ahupua'a,* a traditional Hawaiian form of integrated watershed management.

Lesson Number Four: We have learned that we cannot ignore the importance of our "Anchor "cities.

Smart Growth is doomed from the beginning if it does not link the solutions and problems of the suburbs and rural communities, with those of the Core City. Every rural community, no matter how isolated, has a symbiotic relationship with at least one major city, and they will rise and fall with the same tide. Whether its Honolulu or Denver, Hilo or Tacoma, the cities cannot be expected to bear a disproportionate share of the counties social and economic problems with an inequitable share of the resources.

And, Lesson Number Five: We have learned that "quality of life" is not only about creating attractive communities for a few.

Smart Growth must mean more than the beautification and gentrification of Main Streets. The creation of social equities must be woven into every aspect of the movement.

For example, we cannot ignore affordable housing. More and more local Hawaii residents are moving to the Mainland, since they can no longer afford a home here. Whether it's Aspen, Jackson Hole or Honolulu, there will be dire results if the core of the work force is forced out by rising housing costs and taxes. Smart Growth must incorporate efforts to provide a variety of housing options.

Likewise, we know that we have not done enough research to determine who is really paying for growth. Smart Growth must address inequities in taxation, especially where our agricultural lands are being converted into expensive home sites. People want a rural life style but demand an urban level of services. No matter how far they are "out in the country" they still expect a rapid response from the ambulance, the police and fire departments, plus safe drinking water, reliable electricity and good roads. This constant expansion of services is straining county budgets to the breaking point. Long time residents, many of whom are on modest or fixed incomes, are increasingly angry about subsidizing the services for newer, and usually wealthier, newcomers.

And, lastly, we need to pay more attention to the impacts of rapid urbanization and tourism on the native Hawaiian culture. There is a rising activism of native groups demanding access for traditional and customary rights, and the equitable resolution of land title disputes. Smart Growth must address the very difficult task of balancing economic development with the retention of a traditional culture.

IN CONCLUSION,

I know I have given a broad-brush to many topics, any one of which deserves an in depth analysis. However, I hope that by putting some of Hawaii's issues within the context of Smart Growth, you will gain some insights into your own county planning process.

Next week Governor Cayetano will be asked to sign into law the state's first Smart Growth legislation. This will create a citizen's advisory council to formalize our Smart Growth program for Hawaii. This modest beginning will signal a new joint venture between the State and the counties using the principals of Smart Growth as a blue print for development in our unique island environment. The goal is to "Keep Hawaii, Hawaii", a place where we love to live, you will want to visit, and companies will want to do business.

With that, I want to thank you again for this opportunity and wish you a very successful conference. Aloha.

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