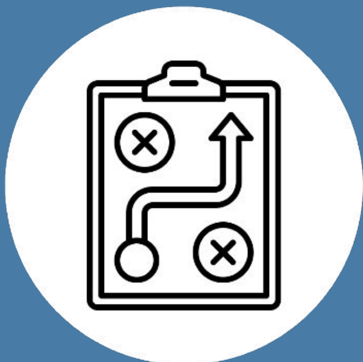
Literature review & Stakeholder engagement

This section examines existing plans and studies as well as policies and regulations pertaining to housing.

Plans and studies

Policies and regulations

Stakeholder engagement outcomes



Plans and studies

These official statements, reports, and plans are included in the literature review:

- 2024: Mayor Rick Blangiardi's State of the City address
- 2024: DBEDT Hawai'i Housing Demand 2025-2035
- 2024: UHERO Hawai'i Housing Factbook
- 2024: UHERO Cost of Regulation report
- 2023: DPP Honolulu Report on the Status of Land Use on O'ahu for Fiscal Year 2021
- 2022: Supportive Housing Work Group Findings (Statewide)
- 2021: O'ahu General Plan (including PUC and other district plans)
- 2019: Hawai'i Housing Planning Study (and 2024 draft update)

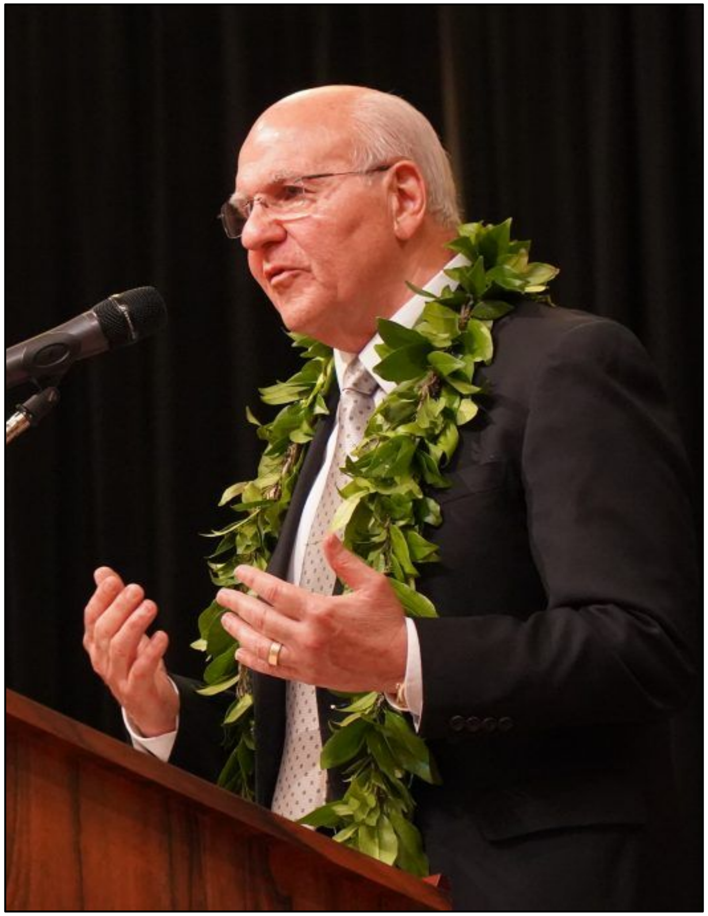
Data from these plans and studies are also used to inform the analysis, including DPP's housing unit forecast to 2030 by Development Plan area, DBEDT's scenarios for household growth, and the Mayor's commitment to 18,000 new housing units over an eight-year period.

Plans and studies

Mayor Rick Blangiardi's 2024 State of the City address

The housing crisis and his plan to address it were central to the Mayor's 2024 State of the City address.

Mayor Rick Blangiard has committed to committed to producing 18,000 units from 2022 to the end of fiscal year 2029, which equates to 2,250 units annually, or 11,250 units over the planning horizon of this plan from 2024-2029. Over the past year, the administration has focused on executing its plans, particularly around creating affordable, mixed-use housing communities. Despite continued efforts, they encountered significant regulatory barriers that hindered the creation of housing communities that include essential services like supermarkets, childcare centers, and post offices. These restrictions have prompted a concerted effort to amend state laws to facilitate the development of more integrated and accessible housing options.



The mayor also elaborated on specific initiatives, such as the acquisition of strategic properties for affordable housing, particularly around the new Skyline route, which is expected to have a transformative impact on urban development. The City has purchased significant plots like the four-acre Iwilei Center, aiming to develop it into a comprehensive mixed-use complex with up to 1,500 affordable units. Plans are underway to improve infrastructure around these developments to enhance accessibility and reduce development costs.

The creation of a new Department of Housing and Land Management is expected to consolidate efforts and streamline processes to meet ambitious housing production goals along with improving the efficiency of permitting.

Plans and studies

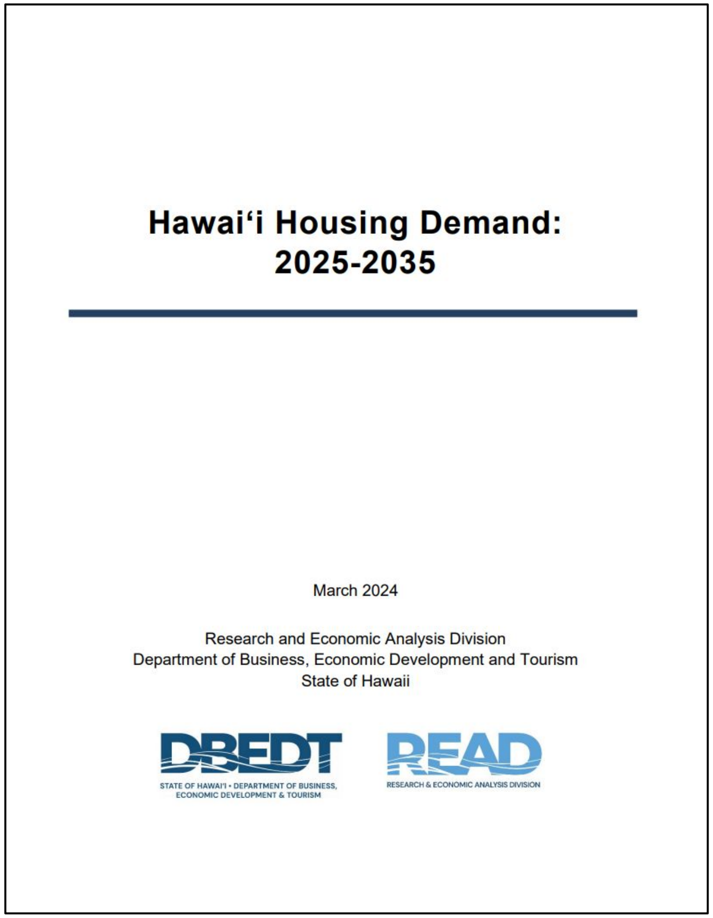
2024: Hawaiʻi Housing Demand 2025-2035

The report identifies a need for between 13,476 and 23,999 additional units over the next 10 years, or about 1,900 units a year.

The Department of Business, Economic Development, and Tourism (DBEDT) provided an updated analysis on housing demand projections through 2035 based on the 2020 U.S. Census data. DBEDT's analysis considers two scenarios: one predicting an average demand if current socio-economic conditions persist, and another presenting more detailed projections with potential demands for additional housing based on different growth trends.

For Honolulu, if population follows long-run projected trends in fertility, mortality, and net migration, about 13,476 new housing units will be needed from 2025 to 2035, whereas the historical trend projection estimates as many as 23,999 units needed in the same period. The result is a target of around 1,900 units a year for the next decade, which aligns with the Mayor's target.

This 2024 report is an update of the 2019 report for the time period 2020-2030. The 2024 report's average growth rate is greater than the 2019's report, which was 15,587.



Hawaiʻi Housing Demand: 2025-2035

March 2024

Research and Economic Analysis Division
Department of Business, Economic Development and Tourism
State of Hawaii

DBEDT
STATE OF HAWAIʻI • DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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RESEARCH & ECONOMIC ANALYSIS DIVISION

Plans and studies

2024: Report on the Status of Land Use on O'ahu for Fiscal Year 2022

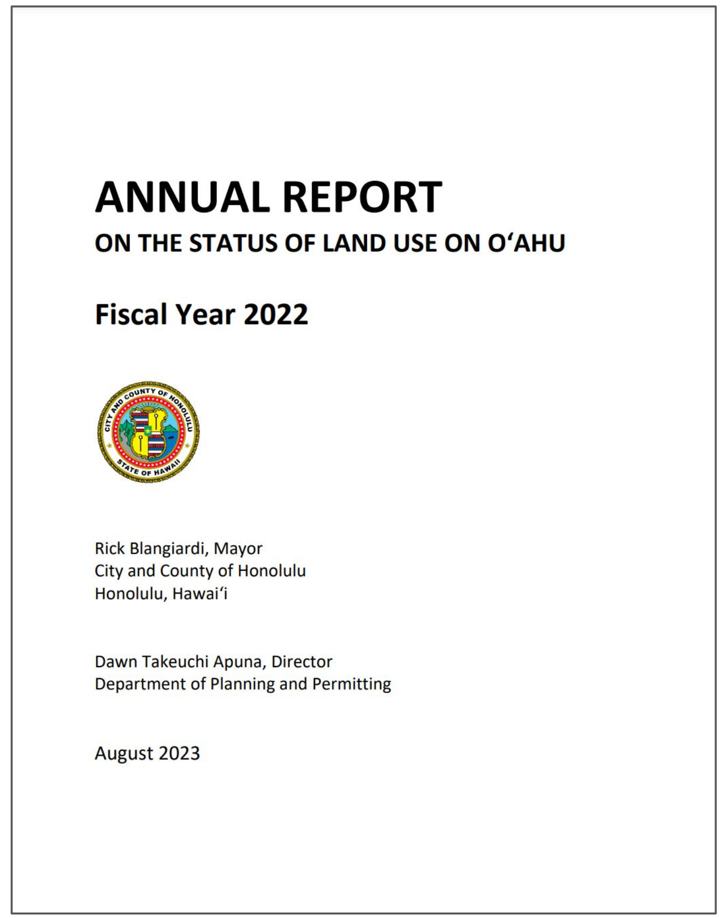
The report includes a household forecast and anticipates a shortage of affordable units.

This report relies on the 2019 State of Hawaii Housing Study report (SMS) housing preference survey to determine the preferred mix of affordable to market rate housing. Based on that preference survey, the report indicates a lack of affordable housing and a surplus of market rate units. That assumption is based on an older survey and 2010 Census data.

This report forms the basis for the housing allocation by region (page 28).

This report's annual production forecast out to 2027 is 2,820 units per year. This number is slightly higher than the 2,250 annual production in the 2023 Housing Plan.

Looking forward, tracking the growth of income segments may be a better determination of the households that contribute to growth while also being cognizant of the extent of cost burden.



ANNUAL REPORT

ON THE STATUS OF LAND USE ON O'AHU

Fiscal Year 2022

Rick Blangiardi, Mayor
City and County of Honolulu
Honolulu, Hawai'i

Dawn Takeuchi Apuna, Director
Department of Planning and Permitting

August 2023

Plans and studies

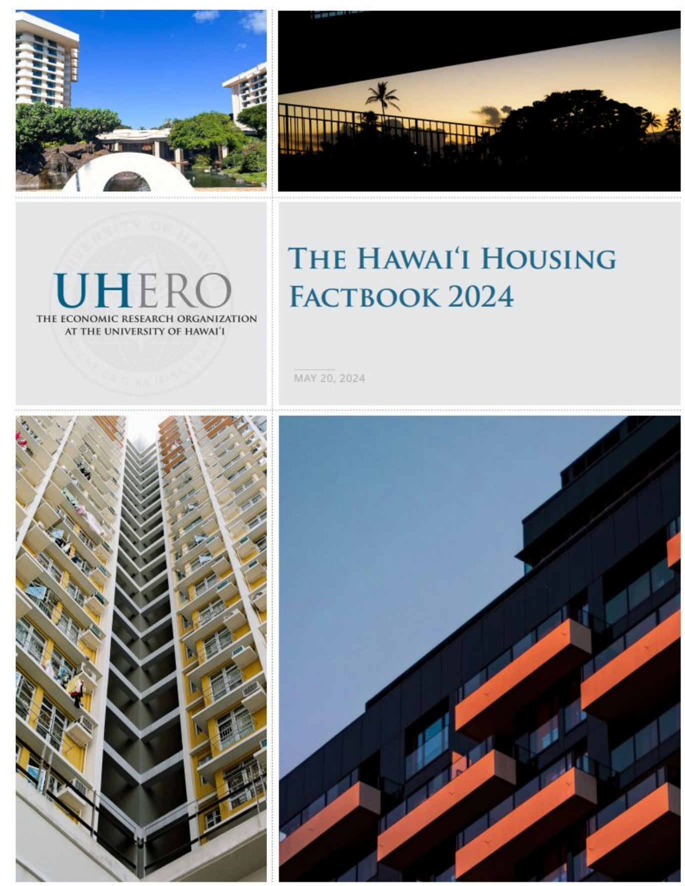
2024: UHERO Hawaii Housing Factbook

The report identifies significant affordability issues, including extreme levels of cost burden for owners and renters

The UHERO Hawaii Housing Factbook highlights significant issues and initiatives in Honolulu County amid broader challenges facing Hawai'i's housing market. The report underscores Honolulu's struggles with housing affordability, exacerbated by high interest rates and regulatory barriers that slow down the development of new housing. Although there is a concerted effort to streamline permitting processes, the complexities involved in planning and approval continue to hinder rapid progress. Honolulu's median single-family home prices remain among the highest in the state, reflecting both the high demand and limited supply.

The market dynamics continue to pose significant affordability issues, with a substantial portion of households unable to afford median-priced homes, and many residents facing severe rent burden. The overall housing situation in Honolulu remains a critical area of focus, requiring continued efforts to balance growth, affordability, and sustainable urban planning.

In response to these challenges, the report discusses how Honolulu has taken proactive steps to address housing shortages, including ongoing technological upgrades in permit processing to speed up the delivery of housing services. The county is focusing on multifamily developments to maximize land use and increase housing availability.



Plans and studies

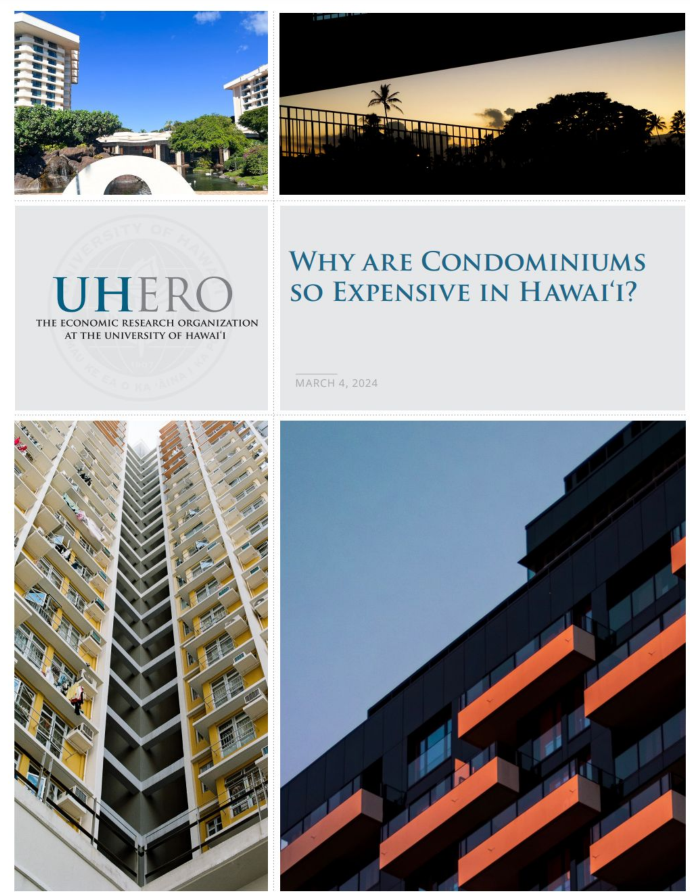
2024: UHERO Cost of Regulation report

Honolulu's restrictive zoning and lengthy permitting process adds $347,000 to the price of new condominium units.

The report identifies regulatory costs as the primary factor driving up prices in the County of Honolulu. Despite high land and construction costs, regulatory constraints, including zoning laws, permitting processes, and required contributions to local infrastructure, are the most significant contributors to the elevated prices. These regulations add substantial delays and are estimated to add approximately $347,000 to the price of a new condominium unit in Honolulu. This regulatory burden leads to a constrained supply of new housing, which, in turn, increases prices and exacerbates housing affordability issues.

The County of Honolulu faces significant regulatory burdens. Honolulu ranks within the top 10% of U.S. counties in terms of regulatory stringency according to the Wharton Residential Land Use Regulatory Index. This performance is due to restrictive zoning, lengthy and complex permitting processes, and significant local political pressure.

These regulatory barriers limit the supply of new housing, exacerbate affordability issues, and deter development by imposing substantial delays and additional costs on developers. To alleviate these issues, the report suggests reducing regulatory barriers, such as allowing more as-of-right development, to increase housing supply and improve affordability.



Plans and studies

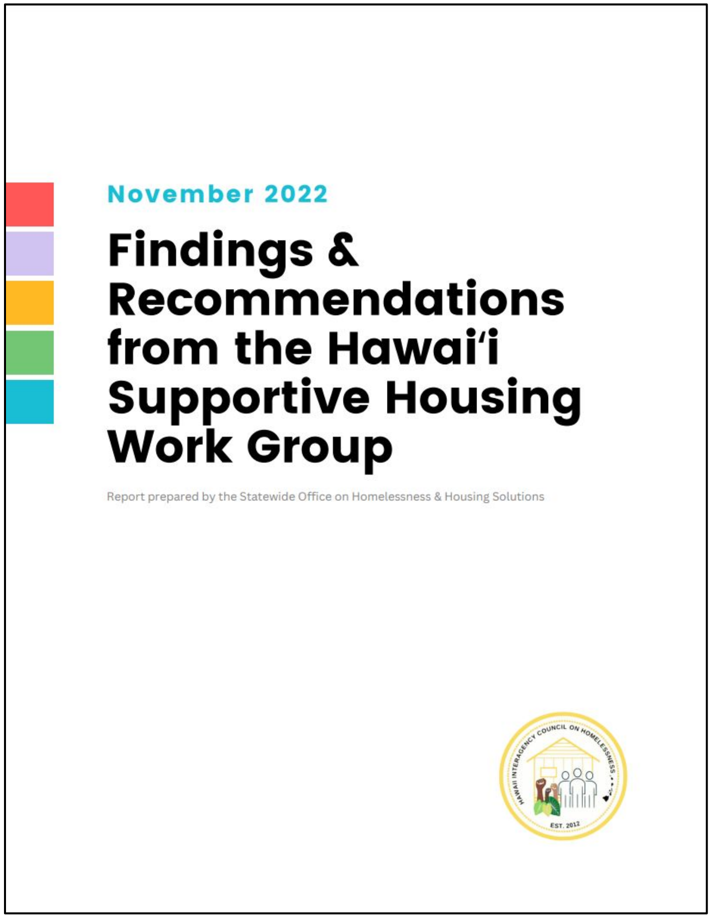
2022: Supportive Housing Work Group Findings

Report prepared by the Statewide Office on Homelessness & Housing Solutions

The report emphasizes the acute need for supportive housing to assist various vulnerable sub-populations, including the elderly, individuals with disabilities, veterans, and those experiencing homelessness or re-entering society from incarceration. The report outlines the necessity of integrating permanent supportive housing (PSH) with accessible services and rental subsidies to aid these groups effectively. The report also highlights successful local examples of supportive housing (i.e. Kamaʻokū Kauhale and Hale Maluhia) and discusses the benefits of supportive housing in improving individual outcomes and reducing public system burdens, such as healthcare and incarceration costs.

Moreover, the report recommends specific actions to enhance supportive housing in Honolulu and beyond, such as creating dedicated funding sources for ongoing supportive housing components (like rental subsidies and services) and investing in continuous data collection to better predict and meet community needs.

The report provides a framework to address housing needs in a systematic way that includes community engagement, leveraging of existing resources, and policy adjustments to support vulnerable populations effectively.



November 2022

Findings & Recommendations from the Hawaiʻi Supportive Housing Work Group

Report prepared by the Statewide Office on Homelessness & Housing Solutions

Plans and studies

2021: O’ahu General Plan

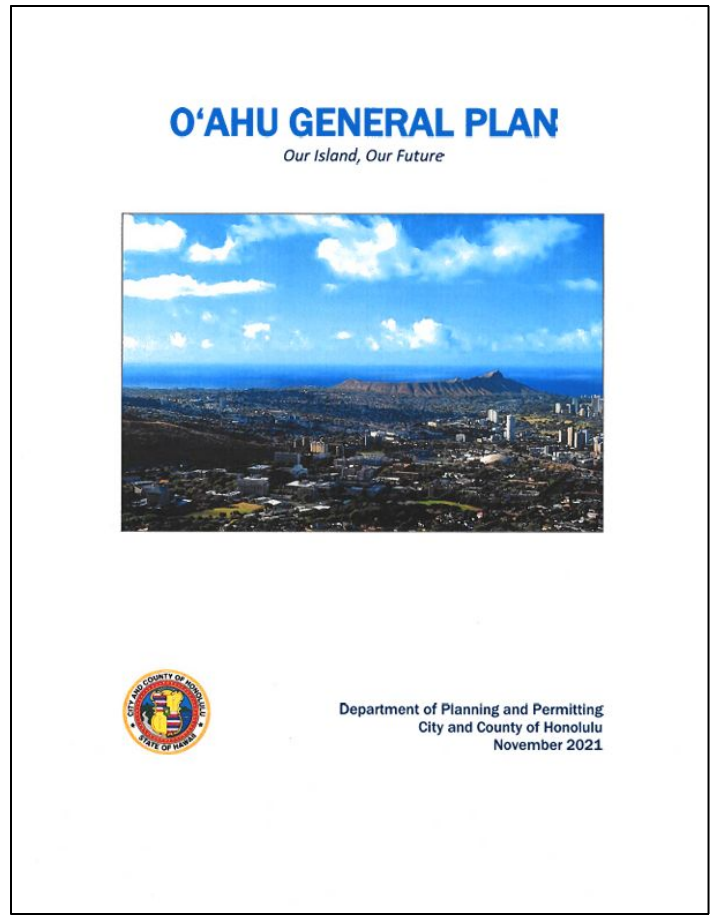
The General Plan addresses equitable and sustainable housing in its goals, objectives, and policies.

The General Plan has 3 objectives and 30 policies in the housing and community chapter. The Population and Health sections also touch upon the need for healthy and walkable housing.

This set of policies aims to create a balanced housing market and provide affordable housing options for all income levels. There is a particular focus on low- and moderate-income residents. Key strategies include streamlining development approvals, leveraging public-private partnerships, and utilizing government programs to enhance housing accessibility and affordability.

Innovative residential developments are encouraged to use resources sustainably and improve community identity, while existing housing conditions are targeted for maintenance and improvement. Additionally, the policies promote the construction of dwellings that are well-suited to the local climate and foster multi-generational living arrangements.

Further objectives focus on reducing land and housing speculation and ensuring that residential areas are well-connected to employment centers and essential services. There is an emphasis on equitable distribution of housing across various regions, promoting mixed-use and higher-density developments near transit nodes, and discouraging development in environmentally sensitive or hazardous areas.



Plans and studies

Housing and Regional Development and Sustainable Communities Plans

The objectives of the development plans for each of O’ahu’s eight planning regions are summarized below. These plans were each reviewed during the planning process and are reflected in more detail in the “Place based opportunities and constraints analysis.”

Transit-oriented development (TOD) regions

Primary Urban Center: Prioritizes diverse, transit-oriented housing options to enhance accessibility and promote mixed-use, vibrant communities. Advocates for high-density developments near transit, integrating affordable units and utilizing green building technologies.

'Ewa: Targets extensive new housing development, with a focus on higher-density near transit hubs and incentives for affordable housing.

Central O'ahu: Balances growth with community preservation, promotes affordable housing for local workers, and prefers renovating over new construction to maintain local character.

Non-TOD sustainable community regions

East Honolulu: Maintain a low-density character, discourages large developments, and supports modernizing existing homes over new construction.

Ko'olaupoko: Focuses on affordable and workforce housing, supports infill projects, and encourages community planning.

Ko'olauloa: Emphasizes rural preservation alongside small-scale, affordable, and sustainable housing.

North Shore: Maintain the area's rural and historic integrity while providing limited, small-scale housing to meet local needs.

Wai'anae: Addresses affordable housing shortages through self-help projects and develops housing with integrated community services.

Plans and studies

2019 Hawai'i Housing Planning Study (SMS) and 2024 update(draft)

This statewide housing study and the pending draft update establish the current development pipeline by household income.

This 2019 Hawai'i Housing Planning Study (SMS) and the 2024 draft update to that study describe expected household growth. The reports find a significant need for affordable housing for island residents.

The 2019 report and its update importantly break down the expected pipeline through 2027 by household income (AMI) level. This result is used as the starting point for this plan's default future development scenario.

The report and the update also describe an approach to understanding housing need that indicates a future surplus of market-rate units. This finding is not used by this plan as the basis for the complete housing demand by household income level. However, it is useful to understand what the self-reported needs of the current residents were at that time. According to the methodology, SMS's housing demand for market rate and affordable units was derived from Housing Demand Surveys from 2010 through 2019 to identify the housing needs of residents. The surveys asked the residents about their financial qualifications to purchase or rent, their expectations for future income, and other characteristics. Rather than use these data (up to 14 years old, predating the 2020 Census, predating changes in the market due to Covid-19, based on an unknown number of responses), CommunityScale uses trends from ACS 2010 through 2022 as well as current real estate data to forecast demand by household income level.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HAWAI'I HOUSING PLANNING STUDY, 2019

Prepared for the Hawai'i Housing Finance and Development Corporation

Prepared by SMS Research & Marketing Services, Inc.
December, 2019

Policy and regulation review

State statutes and local ordinances govern housing production in O’ahu and incentivize affordable housing.

Policy and regulation review

Overview

State statutes and local ordinances govern housing production in O'ahu and incentivize affordable housing.

Hawaiʻi Revised Statutes ("HRS") §201H-38, 201H Projects
Ordinances 15-41, 16-19, 17-30 & 18-41, Accessory Dwelling Units (ADU); SB 3202/Act 39, Relating to Urban Development
Ordinance 17-54, Interim Planned Development – Transit (IPD-T) - Projects
Ordinance 18-1, Affordable Housing Incentives
Ordinance 18-10, Affordable Housing Requirement
Chapter 32/Ordinance 19-8, Affordable Rental Housing
Ordinance 21-12, Relating to Grants Incentivizing the Construction of Affordable Rental Housing
Revised Ordinances of Honolulu ("ROH") §21-2.80, Unilateral Agreements (UA)
ROH Ch. 6, Art. 22, Community Development Fund
ROH Ch. 6, Art. 26, Housing and Community Development Rehabilitation Loan Fund
ROH Ch. 6, Art. 34, Housing Loan and Mortgage Programs
ROH Ch. 6 Art. 45, Rental Assistance Fund
ROH Ch. 6, Art. 46, Housing Development Special Fund
ROH Ch. 6, Art. 52, Grants in Aid Fund
ROH Ch. 6, Art. 63, Affordable Housing Fund
ROH Ch. 8, Sec. 8-7.6, Property dedicated for low-income rental housing
ROH Ch. 8, Art. 10, Real Property Tax Exemptions
ROH Ch. 21, Land Use Ordinance
ROH Ch. 21A, Flood Hazard Areas
ROH Ch. 22, Subdivision of Land
ROH Ch. 33, Development Agreements
ROH Ch. 37, Real Property Transactions Involving the City & County of Honolulu
ROH Ch. 38, Lease and Rental of City Real Property, Including Fees
ROH Ch. 39, Maximum Renegotiated Lease Rent

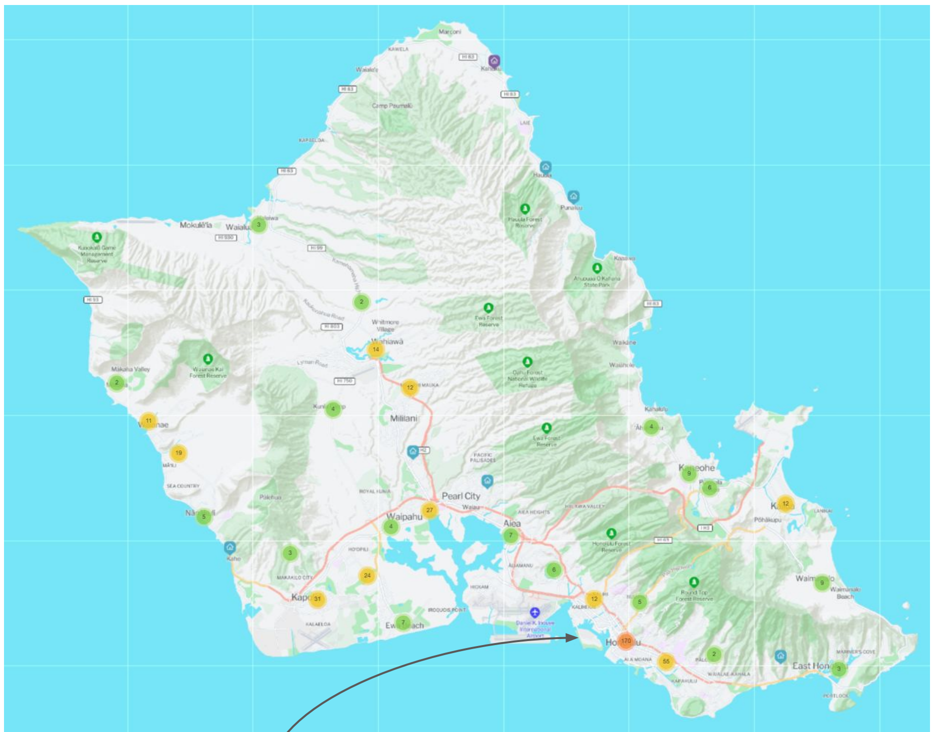
Legislation newly enacted in 2024
SB 2066, Expedited processing
HB 2090/Act 37, Adaptive reuse
SB 2337, Mixed Use

Policy and regulation review

There are 30,060 subsidized affordable units on O'ahu (out of 369,775 total units, or 8.1%) supported by a wide variety of programs and policies, ranging from very low income up to 140% AMI

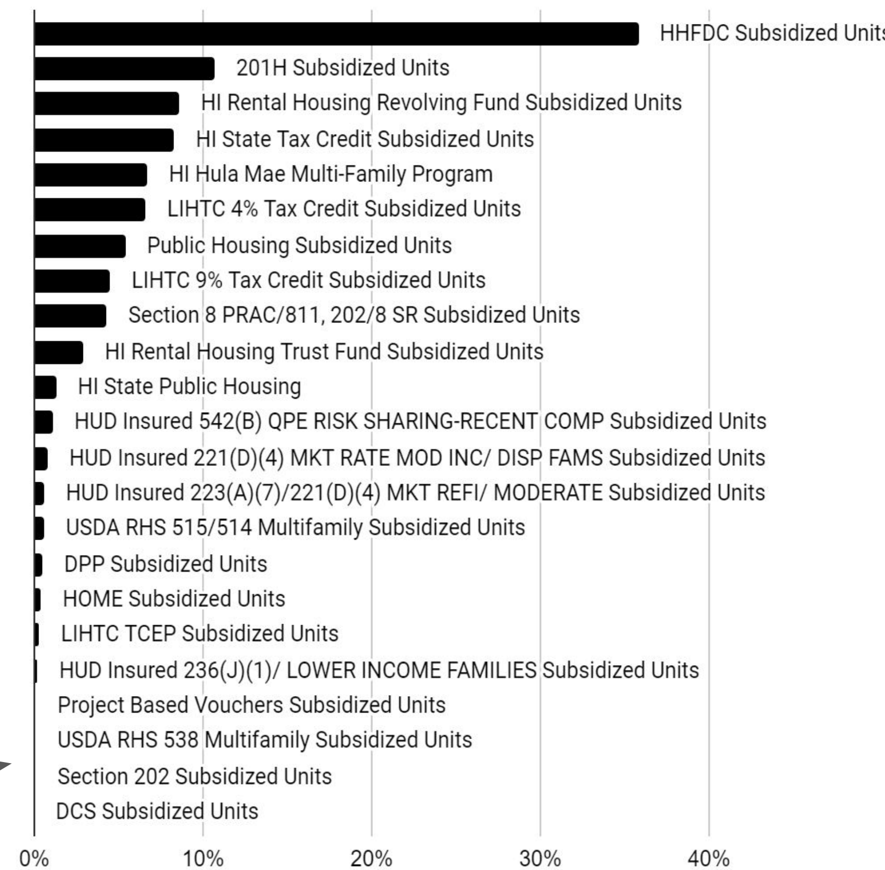
Source: UHERO June 2024 (database updated on ongoing basis but proportional distribution unlikely to change dramatically), ACS 5-Year 2022

Subsidized housing explorer map



Affordable housing is present throughout the island but it is concentrated in the transit areas

Data sources for subsidized housing



Many developments are supported by multiple programs and policies.

Policy and regulation review

Hawaiʻi Revised Statutes ("HRS") §201H-38, 201H Projects

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Provides incentives for creating low- and moderate-income housing, including certain exemptions from typical regulatory constraints. More than half of units must be affordable to qualify.

201H projects can bypass common statutes, ordinances, charter provisions, and rules related to planning, zoning, and construction standards.

The local legislative body has a 45-day window to review and decide on the preliminary plans and specifications submitted by the developer. If the project is not explicitly disapproved by the end of this period, it is automatically deemed approved.

Last, the statute allows for boundary changes necessary for the project to proceed, which must be approved or disapproved by the land use commission within a similar 45-day timeframe. If not disapproved, the changes are automatically enacted.

Affordability in 201H units

- At least 20% of units must be set aside for households earning less than 80% AMI.
- At least 31% of units must be affordable to households earning less than 120% AMI (in Honolulu; HHFDC allows up to 140% AMI).
- A maximum of 49% of the total units may be sold or rented at market rates.
- Affordable units must remain so for 30 years (Honolulu).

Highlights of exemptions for 201H projects

- Automatic approval by local legislative body after 45 days if not explicitly disapproved before then
- Automatic approval by land use commission for boundary changes after 45 days if not explicitly disapproved before then
- Waivers from zoning standards and fee exemptions, e.g., building permits, infrastructure connection fees

Policy and regulation review

Ordinance 15-41, 16-19, 17-30, 18-41 & 20-20, Accessory Dwelling Units (ADU); SB 3202/Act 39 (2024), Relating to Urban Development

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Ordinance 15-41 permits ADUs in all residential zones with restrictions; following ordinances and state legislation (Act 39) have loosened these restrictions.

Ord. 15-41 was aimed at addressing the severe housing shortage by increasing the stock of affordable rental units. It laid down regulations for ADUs, including land use standards and provisions for converting existing structures into ADUs, and required ADUs to adhere to size limits and parking requirements.

Ord. 16-19 provides incentives for ADUs such as fee waivers for wastewater facilities and building permits and streamline the permit processing timeline to make the process more financially feasible, and Ord. 17-30 and Ord.. 20-20 have extended these incentives..

ADU owners are required to submit regular reports to ensure adherence to the rules, particularly those prohibiting the use of ADUs for short-term rentals. To streamline the administrative process, provisions were made for expedited permit processing in Ord. 18-41. Specific requirements are listed for off-street parking, especially near transit stations, to mitigate potential traffic impacts.

SB3202/Act 39 requires all counties in Hawaii to allow two ADUs on residential properties in all or certain districts; permits may be denied for reasons related to infrastructure or design.

Summary

- Ord. 15-42 allowed one ADU permitted per property in all residential zones; SB3202/Act 39 requires counties to adopt "reasonable standards" to allow two ADUs on residential lots in at least some districts
- Certain fees are waived for ADUs
- DPP must respond to applications for permits within 60 days
- The property owner must occupy the primary dwelling unit if the ADU is being rented
- ADUs cannot be used for short-term rentals
- Maximum size of units is 400 sf on small lots; 800 sf on larger lots (5,000 sf or more)
- One off-street parking space is required
- Counties have two pathways for compliance with SB3202/Act 39:
    - Allow ADUs on all residential lots in urban districts
    - Allow ADUs only near rail transit and arterial roads in urban core
- Under SB3202/Act 39, Impact fees must be based on size of the unit, and there can be no additional impact fee if no additional square footage is being added

Policy and regulation review

Hawaiʻi Revised Statutes (“HRS”) §201H-38, 201H Projects

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

201H is essential to housing production in Honolulu, but some City policies, practices, and processes mean the development review process can still be lengthy.

201H is essential to housing production in Honolulu. It exempts developers from certain impact fees, regulations, and property taxes.

Some City policies and practices used to implement 201H are inconsistent with HHFDC’s administration of 201H:

- Inconsistent definition of qualifying income for affordable for-sale units**:** Hawaii’s definition is 140% of AMI; Honolulu’s is 120%.
- Inconsistent affordability period**:** Hawaii requires for-sale units to remain affordable for 10 years; Honolulu requires 30 years

Buyers of for-sale units build very little equity during the affordability period; the owner at the end of the 30-year period, when it converts to market-rate, receives the entire benefit of the below-market price of the affordable unit.

Review of policy:

- Inconsistency between the City’s and HHFDC’s policies and practices mean that developers apply for 201H approval to HHFDC, which can grant 201H approval using 140% as the qualifying income for affordable units.
  - As a result, Honolulu has entitled 1 for-sale project in five years; HHFDC has entitled the remainder.
- 201H does not provide all the regulatory relief intended because of the dual process often required.
  - In addition to applying to HHFDC or DPP for processing, developers must apply to the Honolulu City Council for certain waivers/approvals (e.g., fee waivers, density and height limit exemptions).
- Households who buy affordable for-sale units build very little equity until the end of the 30-year affordability period. This often means buyers cannot move out of their affordable unit to buy a market-rate home.

Policy and regulation review

Ordinances 15-41, 16-19, 17-30 & 18-41 & 20-20, Accessory Dwelling Units (ADU); SB 3202/Act 39 (2024), Relating to Urban Development

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Laws that legalize ADUs are intended to provide "missing middle" housing options affordable to moderate-income households. SB 3202/Act 39 is untested, but earlier ordinances have had limited impact because cost and infrastructure barriers remain.

Ord. 15-41 and subsequent ordinances and SB 3202/Act 39 are intended to allow for "missing middle" housing options that are affordable to moderate-income households without subsidies.

Ord. 15-41, 16-19, 17-30, 18-41 and 20-20 have resulted in few units, because significant barriers to production remain.

Review of policy:

- Since passage of Ord. 15-41 in 2015, about 2,500 ADUs have been permitted in Honolulu; only about 1,400 have been built.
- Developers report that ADUs are not financially feasible to include in new developments, because ADUs count against the number of housing units they can connect to sewer, water and electrical infrastructure.
- Homeowners looking to add an ADU to an existing home often find that site-built construction estimates for ADUs are high, e.g., $300,000 to $450,000 for 800 sf over-the-garage conversions.
- ADUs are more common on Maui, where a modular manufacturer of ADUs operates (see photo). The county recently (January 2024) provided grants up to $100,000 to homeowners to build an ADU.

Policy and regulation review

Ordinance 17-54, Interim Planned Development – Transit (IPD-T) - Projects (2017)

AMI groups targeted (none)	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Amends the Land Use Ordinance to establish a Transit-Oriented Development (TOD) Special District around the Honolulu Rail Transit Project stations.

The primary goals are to enhance economic activity, boost transit ridership, foster multimodal transportation usage, and integrate open spaces and various housing types within the district.

Key changes include replacing certain parts of the existing ordinance to introduce revised development standards and guidelines for land use within the TOD Special District.

Ordinance 17-54 establishes a framework for processing applications for different types of permits and the detailed requirements for developments, such as the types of activities allowed on the ground floor of buildings to promote pedestrian movement.

It also requires TOD special permit applications to propose community benefits, such as open space or affordable housing, to justify height and density bonuses.

The ordinance includes provisions for public hearings and community input.

Summary

- Enhance economic activity, boost transit ridership, foster multimodal transportation, and integrate open spaces with diverse housing types in the TOD Special District.
- Introduce revised development standards and pedestrian-friendly ground floor activity guidelines.
- Detail the roles of the Planning Commission and City Council in approving development projects.
- Provide for public hearings and community input to align developments with community needs and expectations.
- Planned Development-Transit (PD-T) projects with 10+ units must comply with Honolulu's Affordable Housing Requirements
- Defines TOD station areas as land within one-half mile of a transit station
- Requires developers to propose community benefits to justify height and density bonuses; affordable housing units proposed must be in addition to those required under Ord. 18-10.

Policy and regulation review

Ordinance 18-10, Affordable Housing Requirement (Bill 58, 2017)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Broadens the requirement to include affordable units in all for-sale projects of 10 or more units, not just those seeking a zone change.

The ordinance builds on existing policies requiring a percentage of new for-sale housing projects to include affordable units, but with enhanced stipulations to maintain long-term affordability, particularly in rental units, which must remain affordable for a minimum of 30 years.

Key elements of the ordinance include mandating new developments of ten or more residential units to contribute to the affordable housing stock through construction, substantial rehabilitation, or providing improved land dedicated to affordable housing. Developers can meet these requirements through on-site or off-site development, with specific requirements varying based on the location relative to transit areas and other strategic development zones.

The ordinance details affordability periods. For-sale affordable units must remain affordable for a minimum of five to 30 years, depending on the conditions. For rental units, the minimum affordability period is 30 years.

Summary

- New developments of ten or more for-sale units must contribute to affordable housing stock
- Developers can meet requirements through on- or off-site development
- The share of units required to be affordable varies.
    - IPD-T or PD-T or TOD projects seeking bonus height or density must include 10-35% affordable units
    - Other projects must include 5-20% affordable units
- For-sale affordable units must:
    - Remain affordable for 5-30 years
    - Be sold to households earning 120% of AMI and below (at least one-half must be sold to households earning 80% of AMI and below)
- Rental units must:
    - Remain affordable for at least 30 years
    - Be rented to households earning 80% of AMI and below
- Developments in which 75%+ of units are sold to households earning at or below 120% of AMI exempt

Policy and regulation review

Ordinance 18-1, Affordable Housing Incentives (2018)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Amends several chapters of the ROH to boost development and maintenance of affordable housing, primarily via property tax exemptions, construction tax holidays, and fee waivers.

The ordinance provides financial incentives to facilitate the creation of affordable rental units, including real property tax exemptions, tax holidays during construction for up to three years, and fee waivers for wastewater systems, plan reviews, building permits, and park dedication requirements.

These incentives are tied to housing projects that comply with existing affordable housing requirements and transit-oriented development plans. The incentives expire on June 30, 2027, with the property tax exemption for affordable rental units continuing for the entire duration of the affordability agreement period.

If a project fails to meet the requirements at any point, the financial incentives may be revoked, and the property would be subjected to standard taxation and penalties. This ensures that the benefits are exclusively available to compliant projects that contribute to increasing affordable housing stock.

Summary

- Intended to provide cost offsets to affordable units required under other ordinances.
- Provides tax exemptions, construction tax holidays for up to three years, and fee waivers for building-related approvals for affordable housing units built under Ordinance 18-10, 17-54, and 201H.
- Incentives apply to projects that adhere to affordable housing standards and transit-oriented development plans.
- For-sale affordable units must be sold to households earning 120 percent of AMI and below (at least one-half must be sold to households earning 80 percent of AMI and below)
- Rental affordable units must be rented to households earning 80 percent of AMI and below
- Incentives are set to expire in June 2027

Policy and regulation review

Ordinance 18-10, Affordable Housing Requirement and Ordinance 18-1, Affordable Housing Incentives

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Current economic conditions may mean that affordable units required under Ord. 18-10, along with the financial incentives offered under Ord. 18-1, are no longer financially feasible. Honolulu should consider requiring fewer affordable units with deeper affordability.

Ord. 18-10 is Honolulu's inclusionary housing policy. Although the policy results in production of affordable units, they do not always meet the needs of Honolulu's low- and moderate-income residents.

It is supplemented by Ord. 18-1, which is intended to help offset some of the costs of the affordable units. Developers are awarded several fee and tax waivers that reduce costs of affordable (but not market-rate units):

- Affordable units are eligible for waivers of wastewater, building permit, and plan review fees and park dedication requirements (est. value of waivers $38,000-$75,000/unit)
- Affordable units are exempt from real property taxes for the life of affordability (est. value up to $69,000/unit over 30 years)
- Projects are exempt from increases in real property taxes during construction; (est. value $1,000/unit during construction)

Review of policies:

- In general, inclusionary zoning programs increase costs for market-rate units and could discourage housing production.
- Ord. 18-10 could discourage office conversions into for-sale housing
- Many inclusionary housing programs award height or density bonuses to offset costs of affordable units, often in addition to other cost offsets
    - In Honolulu, not all projects are awarded height or density bonuses to offset costs of affordable units
- Income targeting to moderate-income households (up to 120% of AMI), coupled with very limited allowance for equity accumulation in for-sale units, means that for-sale units do not meet buyers' needs, either in terms of unit size or ability to build wealth/save for a market-rate home.
- For-sale affordable units also do not serve the needs of the "gap group"
- Current higher interest rates may mean that estimates used to design Ord. 18-10 are no longer realistic, and that many projects are not financially feasible with current requirements.
- Honolulu should consider requiring fewer affordable units at deeper income targeting.

Policy and regulation review

Ordinance 19-8, Affordable Rental Housing (2019)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Implements a temporary program aimed at increasing affordable rental housing construction in specified zoning districts. Ord. 19-8 is currently Honolulu's only by-right housing program.

Ordinance 19-8 (also known as Bill 7) which became ROH Chapter 32,, relaxes certain zoning and building code standards and offers financial incentives to facilitate the development of affordable rental units. The ordinance highlights the unprofitability of affordable rental housing projects for developers due to high land and construction costs, advocating for governmental intervention.

The new regulations allow for the construction of affordable rental housing projects with at least 80% of units designated for households earning 100% or less of the AMI.

Summary

- Creates a temporary program to facilitate use of small lots (up to 20,000 sf) for affordable rental housing in specific zones by relaxing zoning and building code standards and providing financial incentives.
- Applies in apartment, apartment mixed-use and business mixed-use zones.
- Fast track permitting process requires building inspector to approve or disapprove applications within 90 days; if no action is taken the permit is deemed approved
- At least 80% of units must be rented to households earning 100% of AMI or less for at least 15 years; units rented at 80% of AMI or below can receive property tax exemptions, plus waivers on building permits and wastewater system facility fees.
- Off-street parking, elevators, and bicycle racks are not required, and height restrictions are relaxed (buildings can be up to 60 feet).
- Initiative sunset extended by Ord. 23-12 through 2030.

Policy and regulation review

Ordinance 21-12 (Bill 1) Relating to Grants Incentivizing the Construction of Affordable Rental Housing (2021)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Ordinance 21-12 establishes a grant program designed to incentivize affordable rental housing constructed under Ordinance 19-8 (Bill 7).

Ord. 21-12 provides financial incentives for developers who undertake housing projects amid economic uncertainties brought by the COVID-19 pandemic, which exacerbated the housing shortage.

The grants are administered by the director of budget and fiscal services and are $11.25 / square foot (max $9,000) for households with incomes above 60% and at or below 100% of AMI and $15 / square foot (max of $15,000) for households earning 60% or less of AMI. This initiative aims to make the construction of affordable rental units more financially feasible.

Funding for these grants is capped at $10 million; funds are to be disbursed upon successful completion and occupancy of the housing projects.

Summary

- Provides post-construction grants program to encourage affordable rental housing development.
- Provides financial incentives of up to $9,000 per unit for households earning 60-100% AMI, and $15,000 for those below 60% AMI, to reduce economic barriers for developers.
- Grants are disbursed upon project completion and occupancy.
- Allocates $10 million in total grant funding

Policy and regulation review

Chapter 32 (Ordinance 19-8, Affordable Rental Housing and Ordinance 21-12, Grants Incentivizing the Construction of Affordable Rental Housing)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Production to date has been limited for a variety of reasons, but has recently increased. As Honolulu's only by-right housing program, Chapter 32 should be extended to allow developers to continue to create affordable infill units.

Chapter 32, which includes Ordinance 19-8 (also known as Bill 7), along with Ord. 21-12 (Bill 1), which provides post-construction grants to developers, and Ord. 24-23 (Bill 3) , **together create strong incentives for infill multifamily projects that include affordable housing.**

Review of policies:

Originally envisioned to produce 500 units per year, results to date have been disappointing. Since being enacted in 2019 (as of 3/1/24):

- Two projects with 51 units had been completed
- Eight projects containing 236 units were under construction
- 40 projects were pending review by DPP or on hold while applicants make corrections to plans

Ord. 21-12 was enacted to encourage construction of these units. Additional efforts have been/are being made to improve results:

- **Bill 6**, enacted in 2023, offers a self-certification process meant to alleviate DPP's backlog of permit applications
- **Bill 3**, enacted in 2024, designates up to $10 million in funding for pre-construction grants for Bill 7 projects

The policy has been slow to produce multifamily units for a variety of reasons:

- City agencies including DPP needed time to create administrative processes to implement the policy
- Board of Water Supply rule changes slowed some projects
- The size of projects enabled by the policy appeal primarily to smaller and less experienced developers. These developers needed time to understand the policy, identify eligible properties, and plan projects.
- The COVID pandemic considerably disrupted housing production and city agency functions, slowing implementation of and response to the policies.
- The sunset provisions may have discouraged developers from investing in changing their business model to include production of housing enabled by the policies.
- Honolulu should extend Chapter 32/Ord. 19-8 to allow for continued by-right development of multifamily buildings that include affordable units.

Policy and regulation review

Revised Ordinances of Honolulu ("ROH") §21-2.80, Unilateral Agreements (UA)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Approval of zoning change ordinances can be conditional and may include requirements for affordable housing. These conditions are outlined in binding unilateral agreements.

Before a zoning change ordinance is enacted, the Council can impose conditions on the property's use. These conditions must either be fulfilled before the Council's action on the zone change or must be legally enforceable afterwards to ensure compliance.

The conditions set forth in these agreements are only imposed if the Council deems them necessary to mitigate any adverse effects on public health, safety, and welfare, or to meet public service demands that arise directly from the proposed land use. Such conditions aim to protect the public from harmful effects of the proposed use or to address increased public service needs resulting from it.

The agreement includes provisions for regular reporting on the status of compliance with the conditions. If all conditions are met and are not of a continuing nature, the declarant can be released from the agreement. Non-compliance or partial compliance can lead to legal actions or requirements for bonds to ensure future compliance.

Summary

- The Council can impose conditions on property use, which must be met for a zoning change ordinance to be effective.
- Conditions are imposed to mitigate potential adverse effects on public health, safety, and welfare, or to accommodate increased public service needs arising from the proposed use.
- Affordable housing requirements are established in binding unilateral agreements.
- The agreements require regular compliance reports and allow for legal actions or bonds to ensure adherence.
- Applies to projects with 10+ housing units

Policy and regulation review

ROH Ch. 6, Art. 22, Community Development Fund

AMI groups targeted	<30% 30-60% 60-80% 80-100% 100-120% 120-140% >140%

Article 22 outlines the establishment, purpose, and administration of the Community Development Fund.

This fund is created to facilitate development of viable urban communities by providing decent housing, a suitable living environment, and economic opportunities mainly for low and moderate-income residents.

The fund is comprised of monies received from HUD. Funds are designated for community development objectives including eliminating slums and blight, improving public health and safety through code enforcement and other measures, conserving and expanding the nation's housing stock, and enhancing community services. Additionally, the fund aims to promote better land use, reduce income segregation within communities, and restore and preserve historically or aesthetically valuable properties.

Furthermore, the Act supporting this fund is designed to streamline federal aid to communities, ensuring timely and reliable financial assistance that aligns with comprehensive local and area-wide planning efforts. It aims to foster a coordinated approach to housing and community development.

Summary

- Aims to develop viable urban communities by providing decent housing, suitable living environments, and economic opportunities primarily for low and moderate-income residents.
- Targets the elimination of slums and blight, improvement of public health and safety, conservation and expansion of housing stock, and enhancement of community services
- No affordable housing goals are included.

Policy and regulation review

ROH Ch. 6, Art. 45, Rental Assistance Fund

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 45 establishes the Rental Assistance Fund to support eligible displaced individuals and families.

The Rental Assistance Fund is used primarily for rental assistance payments to landlords on behalf of qualified applicants. The Fund's revenue sources include net receipts from the Hale Pauahi parking structure, proceeds from city affordable housing projects, and additional appropriations.

Eligibility for assistance includes single persons or families who are displaced by city action, fire, natural disasters, or homelessness, or are selected for placement in city-assisted housing projects. Individuals receiving aid from federal or state housing programs or living in government-subsidized housing are not eligible. Priority for receiving assistance is given in the order of displacement due to government action, displacement by disasters, homelessness, and placement in city-assisted housing.

The monthly rental assistance amount is determined by set rules, and expenditures from the fund are capped at 5% for administrative costs.

Summary

- Rental assistance is available for single persons or families displaced by city actions, disasters, homelessness, or those placed in city-assisted housing projects, up to 80% AMI
- Priority is based on the type of displacement, with set rules determining the monthly rental assistance amount
- Funded by net receipts from the Hale Pauahi parking structure

Policy and regulation review

ROH Ch. 6, Art. 34, Housing Loan and Mortgage Programs

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 34 establishes a framework for Honolulu to create and administer housing loan and mortgage programs.

As needed to create and administer a housing loan or mortgage program, the director of Community Services is tasked with adopting and enforcing rules that specify criteria for borrower and loan eligibility, including financial qualifications and property conditions.

Borrower eligibility is to be established based on income levels, family size, and housing market dynamics. Loans must meet criteria regarding their location, age, and condition, and income with specified terms regarding interest rates and collateral.

Additionally, the ordinance outlines procedures for involving mortgage lenders in the housing loan programs, detailing processes for loan application, purchase, and allocation. This includes advance commitments to purchase loans.

The article also establishes a rental housing loan program for constructing multifamily rental units using tax-exempt revenue bonds. This program aims to expand housing availability and support the city's development goals, reflecting a structured approach to enhance housing finance and accessibility within the community.

Summary

- Governs the framework for housing loan and mortgage program created by the City
- Requires the City to define eligibility criteria for borrowers and loans
- Borrower eligibility is to be based on income, family size, and housing market conditions.
- Loan terms are to specify location, age, and condition requirements, along with interest rates and collateral.
- Establishes a loan program for building multifamily rental units funded by tax-exempt revenue bonds.

Policy and regulation review

ROH Ch. 6, Art. 26, Housing and Community Development Rehabilitation Loan Fund

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 26 details the establishment and function of the Housing and Community Development Rehabilitation (H&CD) loan fund

This fund provides financial assistance primarily to low- and moderate-income landowners or lessees in need of property rehabilitation or general improvements within designated areas or those cited for local code violations.

The fund makes loans to eligible applicants who cannot secure financing under existing programs or from other sources under similar terms. The intent is to support the rehabilitation of properties within urban renewal areas, areas needing concentrated code enforcement, or general rehabilitation project areas. The loans are meant to cover up to 90% of the appraised property value after improvements, with priority given to properties that house low-income and moderate-income families.

The ordinance sets conditions on the loan amount, security, interest rates, repayment terms, and occupancy requirements. For example, the loan term cannot exceed three-fourths of the remaining economic life of the structure or the lease term, whichever is shorter.

The fund operates as a revolving account, with appropriations made each fiscal year to support ongoing and new loans.

Summary

- The fund provides financial assistance for property rehabilitation or improvements targeted towards low- and moderate-income landowners.
- Offers loans covering up to 90% of the post-improvement appraised property value.

Policy and regulation review

ROH Ch. 6, Art. 46, Housing Development Special Fund

AMI groups targeted	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 46 establishes the Housing Development Special Fund which consists of two accounts: the Housing Development Account and the Affordable Housing Development Account.

This fund is dedicated to supporting the development of housing for sale or rental within the city, focusing on both general and affordable housing sectors.

The fund primarily receives proceeds from general obligation bonds and bond anticipation notes issued for housing development. These proceeds are used for construction and land acquisition costs related to housing projects. Additionally, revenues from the sale or rental of these housing units are reinvested into the fund. Moneys in the fund are also allocated for bond retirement, reimbursement to the general fund, and other related expenses as appropriated in the city's budget ordinances.

The affordable housing development account within the fund specifically targets the creation of housing for households earning between 30% and 80% of the AMI. In-lieu fees and other revenues intended to satisfy city housing mandates are directed into this account, supporting partnerships with city or state agencies and community organizations to increase affordable housing stock.

The administration of the fund is overseen by the director of budget and fiscal services, who is empowered to adopt necessary rules for its management. This includes the strategic investment of idle funds to generate income, which are then used to further the fund's housing development goals.

Summary:

- The housing development special fund is divided into two accounts: the general housing development account and the affordable housing development account.
- The affordable housing development account targets housing projects for households earning between 30% and 80% of the AMI.
- The fund receives proceeds for construction, land acquisition, bond retirement, and reimbursements to the general fund.

Policy and regulation review

ROH Ch. 6, Art. 52, Grants in Aid Fund (2012)

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 52 establishes the Grants in Aid Fund, designated for disbursing grants to charitable nonprofit organizations that assist economically or socially disadvantaged groups, or that contribute to public benefits in the arts, culture, economic development, or environmental sectors.

The Grants in Aid Fund is supported with a minimum of 0.5 percent of the city's estimated general fund revenues, plus any accrued interest.

A Grants in Aid Fund advisory commission reviews grant applications and advises the city on funding allocation, ensuring consistency with Council priorities. The commission submits annual recommendations to the Council, which selects projects during the budgeting process.

The director of community services must report annually to the Council on the budgeted, encumbered, and expended amounts for each project, as well as compliance with grant terms.

Summary

- The fund provides grants to charitable nonprofit organizations that assist disadvantaged groups or contribute to public benefits in arts, culture, economic development, or environmental sectors
- Historically, grants have been capped at $200,000 per recipient
- In FY 2022, about $8.1 million in grant funds were awarded, including four to providers of services to homeless people
- A minimum of 0.5 percent of the city's estimated general fund revenues supports the fund.

Policy and regulation review

ROH Ch. 6, Art. 63, Affordable Housing Fund

AMI groups targeted	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Article 63 creates the Affordable Housing Fund, designed to provide and maintain affordable rental housing for individuals earning 60 percent or less of the median household income in the city.

This fund focuses on the acquisition, development, construction, and rehabilitation of affordable housing projects, including mixed-use and mixed-income developments, ensuring affordability for a minimum of 60 years.

Funding for the affordable housing fund is secured through an appropriation equivalent to half of one percent of the estimated real property tax revenues, along with any interest earned.

The mayor must submit an annual report detailing the funds appropriated, the operating and capital plans for the use of the fund over the next six fiscal years, and a list of proposed amendments to public infrastructure maps influenced by these appropriations.

Expenditures must align with the priorities set either by a dedicated commission or by the Council. All unused funds at the end of the fiscal year remain in the fund, accumulating over time.

Summary

- Provides and maintains affordable rental housing for individuals earning 60 percent or less of the AMI.
- Focused on the acquisition, development, construction, and rehabilitation of affordable housing projects
- Per Ordinance 20-9, units must remain affordable for a minimum of 60 years
- Per Ordinance 20-9, may be in mixed-use, mixed-income projects
- Funding is through an appropriation equivalent to half of one percent of estimated real property tax revenues

Policy and regulation review

Summary of Funds

Community Development Fund: Using grants from HUD including CDBG, this fund facilitates development of viable urban communities, focusing on decent housing, suitable living environments, and economic opportunities primarily for low and moderate-income residents. ***Recent activity:*** *About $6 million budgeted for park improvements for FY 25.*

Housing and Community Development Rehabilitation Loan Fund: Using grants from HUD, this fund provides loans for property rehabilitation or general improvements to low- and moderate-income landowners or lessees in designated areas or those cited for local code violations. ***Recent activity:*** *$2 million is included in the FY 25 operating budget for this fund, which is used to make loans under the Rehabilitation Loan Program.*

Rental Assistance Fund: This fund provides rental assistance payments to landlords on behalf of eligible single persons or families displaced by city actions, disasters, or homelessness, or those selected for city-assisted housing projects. Funded by net receipts from the Hale Pauahi parking structure. ***Recent activity:*** *There is $252,000 for the Rental Assistance Fund in the FY 25 operating budget*

Housing Development Special Fund: This fund supports the development of both general and affordable housing (for households earning 30-80% of the AMI) through proceeds from bonds, with revenues reinvested into further housing development and partnerships to increase affordable housing stock.

Grants in Aid Fund: Managed by the director of budget and fiscal services and the department of community services, this fund disburses grants to nonprofit organizations aiding economically or socially disadvantaged groups, or contributing to public benefits in the arts, culture, economic development, or environmental sectors. ***Recent activity:*** *$8.1 million in funding in 2022 for non-profit service providers.*

Affordable Housing Fund: This fund is dedicated to acquiring, developing, constructing, and rehabilitating affordable rental housing for individuals earning 60% or less of the median household income, ensuring affordability for a minimum of 60 years. ***Recent activity:*** *RFP for $8 million in awards currently outstanding for new construction up to $40,000 per affordable unit.*

Policy and regulation review

ROH Ch. 8, Sec. 8-7.6, Property dedicated for low-income rental housing

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Section 8-7.6 creates a process for owners to dedicate property for low-income rental housing; ROH Ch. 8, Sec. 8-10.17 allows a property tax exemption for low-income rental housing.

Property owners can dedicate their property as low-income rental housing for a five-year period to qualify for a Residential classification, provided the property was purchased for less than $1,000,000, is used as a rental property with leases of at least one year, and rents at rates affordable to households earning up to 80 percent of AMI.

Owners must file a petition to dedicate their property for the following tax year. Approval allows the property to be assessed based on its dedicated use starting October 1st of the same year.

If the dedication is approved, the owner cannot change the property's use during the dedication period, which can be renewed annually. Violations of the use restrictions result in retroactive cancellation of the tax exemption, with unpaid taxes subject to a 10 percent annual penalty. Additionally, further breaches will result in taxes and penalties becoming a paramount lien on the property.

The owner must also annually submit a copy of the rental agreement for the upcoming tax year before September 1st.

Summary

- Defines "low-income rental housing" as housing affordable to households earning up to 80 percent of the area median income.
- ROH Ch. 8, Sec. 8-10.17 allows owners who dedicate their property for low-income rental housing to qualify for a property tax exemption.
- The property's use cannot be changed during the dedication period without risking tax exemption cancellation and penalties if the low-income status is not maintained for 45 consecutive days or more.

Policy and regulation review

ROH Ch. 8, Art. 10, Real Property Tax Exemptions

AMI groups targeted (owner only)	<30% 30-60% 60-80% 80-100% 100-120% 120-140% >140%

Article 10 outlines a variety of real property tax exemptions applicable under different conditions.

Property tax exemptions are provided for owner-occupied primary residences, low-income rental housing, disabled veterans, individuals with impaired sight or hearing, non-profit organizations, agricultural improvements, and renewable energy production, among others. Each exemption has specific eligibility criteria and documentation requirements.

For owner-occupied primary residences, up to $120,000 of the property's assessed value is exempt from property taxes. Homes of totally disabled veterans are exempt from all property taxes other than special assessments, provided the disability was incurred during service.

Non-profit organizations engaged in medical, educational, and charitable activities can qualify for tax exemptions if their properties are used exclusively for these purposes.

Article 10 also exempts properties used for agricultural improvements and renewable energy production, promoting environmental sustainability and agricultural development. Industrial properties in designated areas may also receive exemptions to encourage economic activities within those zones.

Summary:

- Establishes up to $120,000 exemption on primary residences.
- Low-income rental housing qualifies for an exemption if the affordability period is at least 15 years and 20 percent of the units are affordable to people with incomes below 80 percent of the AMI.
- Homes of totally disabled veterans are exempt from all property taxes, contingent on service-related disability.
- Provides tax exemptions for properties used exclusively for medical, educational, or charitable purposes by non-profit organizations.
- Encourages environmental sustainability by exempting properties used for agricultural improvements and renewable energy production.

Policy and regulation review

ROH Ch. 39, Maximum Renegotiated Lease Rent

AMI groups targeted	
	<30%
	30-60%
	60-80%
	80-100%
	100-120%
	120-140%
	>140%

Chapter 39 establishes regulations on the maximum annual renegotiated lease rent for apartment owner-occupants within condominium projects.

It defines critical terms relevant to lease agreements, such as "Apartment Owner-Occupant" and "Renegotiated Lease Rent," and outlines the applicability of these regulations to leases executed before and after December 16, 1991.

The chapter details the procedures for calculating the maximum renegotiated lease rent based on the Consumer Price Index and sets out the conditions for biennial adjustments. Additionally, it provides for administrative adjustments in situations where the lessor incurs significant operating expenses that affect their net operating income.

Enforcement mechanisms are described, including the certification of renegotiated lease rents and the process for addressing lease rents that exceed stipulated maximums. The chapter was partially invalidated by the courts as unconstitutional, highlighting the tensions between local housing regulations and property rights.

Summary:

- Details the methodology for calculating the maximum renegotiated lease rent using the Consumer Price Index and the procedure for biennial adjustments.
- Allows for administrative adjustments to lease rents where the lessor's significant operating expenses impact their net operating income.
- Describes enforcement mechanisms for certifying compliance with lease rent limits and notes the chapter's partial invalidation by courts

Policy and regulation review

ROH Ch. 21, Land Use Ordinance

Chapter 21 encompasses regulations for zoning and land use across various districts and for various purposes.

This ordinance is designed to guide orderly development in alignment with city plans and policies while safeguarding public health, safety, and welfare. The LUO addresses the location, design, and use of sites and structures to minimize adverse effects, conserve natural and cultural resources, and ensure compatibility with the city's development objectives.

The LUO includes provisions for appeals, which can be made to the zoning board of appeals if disagreement arises regarding the director's decisions. Variances to adapt the LUO's application to specific circumstances can also be sought, governed by the city's charter. Additionally, the LUO accommodates temporary uses, allowing the director to impose conditions to mitigate potential impacts on the surrounding area.

Further detailed in the ordinance are the general provisions for development standards, specific use standards, parking requirements, signage, and special district regulations. Each article and appendix within Chapter 21 serves to comprehensively cover all aspects of land use, from general provisions to detailed zoning maps and resolutions for plan review and use approvals, ensuring all development aligns with the broader goals of urban planning and community sustainability.

Summary:

- Designed to ensure orderly development in accordance with city plans and policies
- Allows for variances and accommodates temporary uses with conditions to mitigate potential impacts.
- Includes detailed provisions for development standards, specific use standards, and regulations for parking, signage, and special districts

Policy and regulation review

ROH Ch. 21A, Flood Hazard Areas

Chapter 21A focuses on managing the risks associated with flood-prone areas to protect life, property, and minimize public expenditures on flood control and disaster relief.

The chapter is designed to ensure compliance with national flood insurance standards, enabling community eligibility for federal aid and maintaining a robust flood insurance system.

The chapter delineates special flood hazard areas, imposes stringent development standards, and assigns responsibilities for the administration of these regulations to the director of planning and permitting. It includes detailed provisions for the issuance of development permits within floodways, flood fringe areas, and coastal high hazard areas, requiring specific construction methods and materials to mitigate flood risks.

Significant to the ordinance are the restrictions on development within these designated areas, including requirements for the elevation of buildings, use of flood-resistant materials, and specific design standards to withstand flood conditions. It also outlines the processes for obtaining variances and the circumstances under which they might be granted, emphasizing the limited nature of such exceptions given the overarching public safety concerns.

Additionally, the ordinance covers the administration of the floodplain management policies, including the responsibilities of the floodplain administrator, the procedures for appealing decisions, and the enforcement mechanisms to ensure compliance with the regulations. It aims to maintain public safety, minimize financial losses from floods, and ensure that developments within flood-prone areas are adequately safeguarded against flood risks.

Summary:

- Imposes stringent development standards in designated flood hazard areas.
- Mandates elevation of buildings, use of flood-resistant materials, and specific design standards in flood-prone areas.
- Details the responsibilities of the floodplain administrator, appeal procedures, and enforcement mechanisms to ensure regulatory compliance.

Policy and regulation review

ROH Ch. 22, Subdivision of Land

Chapter 22 outlines the regulatory framework for subdividing and consolidating land within the jurisdiction, including for housing.

The chapter is organized into several articles, each addressing different aspects of land subdivision. Articles relevant to housing development include:

- Article 1: Filing Fees outlines the costs associated with applications for land subdivision or consolidation. It details fees for different types of applications, such as $400 for land subdivision and additional charges per lot.
- Article 2: Street Lights mandates the developers install street lights in subdivisions, specifying that developers are responsible for their maintenance.
- Article 3: Subdivision and Consolidation of Land provides comprehensive regulations on how land can be subdivided or consolidated. It emphasizes the need for developer compliance with existing urban and environmental regulations to ensure orderly development and adequate provision of utilities and services.
- Article 4: Sidewalks and Curbs in Residential Subdivisions requires the construction of sidewalks and curbs in residential areas.
- Article 5: Utility Lines discusses the installation requirements for utility lines within subdivisions, promoting the use of underground utilities.
- Article 6: Public Access to Shoreline and Mountain Areas ensures that new developments maintain or provide public access routes to natural resources like shorelines and mountains.
- Article 7: Parks and Playgrounds mandates the inclusion of recreational areas within new subdivisions. Developers may be required to dedicate land for parks and playgrounds or make payments in lieu.

This structure is intended to facilitate controlled and orderly development of new areas within the city while ensuring that essential services and infrastructure are incorporated into the urban planning process.

Policy and regulation review

ROH Ch. 33, Development Agreements

Chapter 33 outlines the framework for negotiating and managing development agreements between the city and developers.

This chapter details the roles, responsibilities, and procedural requirements necessary for establishing these agreements. The chapter emphasizes the need for alignment with existing city planning and zoning regulations and requires City Council approval before execution.

Key provisions include the establishment of definitions relevant to development agreements, such as "Developer," "Development," and "Discretionary Permit." The chapter also clarifies the execution process, noting that agreements must be executed by all parties and adhere to specific city laws at the time of agreement execution.

Section 33-1.4 focuses on the periodic review and potential termination of development agreements if compliance issues arise. It mandates regular reviews to ensure adherence to the agreement's terms and provides a mechanism for termination in cases of material breach. Sections 33-1.5 and 33-1.5A specify the contents of development agreements and the associated fees, which are non-refundable.

The chapter also addresses the enforceability of agreements, stipulating that they remain subject to city laws active at the time of execution, despite any future changes to those laws. Amendments and cancellations of agreements require mutual consent and must be approved through Council resolution, ensuring both flexibility and adherence to procedural norms. The filing and recordation of agreements ensure that they are binding on all successors and assigns of the parties involved.

Summary:

- Outlines the procedural requirements for establishing development agreements.
- Mandates regular reviews of development agreements and provides a mechanism for termination in cases of material breach
- Discusses how amendments and cancellations must be mutually agreed upon and approved by Council resolution.
- Not specifically related to affordable housing.

Policy and regulation review

ROH Ch. 37, Real Property Transactions Involving the City & County of Honolulu

Chapter 37 details the guidelines for managing the disposal and acquisition of real estate by the city.

This is divided into two main articles: the first covers the disposal of real property owned by the city, including surplus property and various special cases, while the second focuses on the acquisition of remnant real property, particularly in relation to the Honolulu High-Capacity Transit Corridor Project.

Article 1 specifies procedures for disposing of city-owned real property, distinguishing between surplus and non-surplus properties. The city must identify properties no longer needed, classify them as surplus if appropriate, and then, with council approval, determine the method of disposal—whether by sale, exchange, or gift. Key provisions include mandatory public notifications, assessments of fair market values, and the preparation of necessary disposal documents.

Article 2 introduces a framework for the city to consider acquiring remnant properties affected by the transit project, emphasizing the evaluation of public interest and the potential for city development. It sets forth the definition of terms relevant to the acquisition process and authorizes the director of land management to review potential acquisitions to determine if they serve the public interest, particularly in enhancing the city's real estate inventory for transit-oriented development.

Summary:

- Details the processes for disposing of city-owned real estate, including identifying surplus properties, obtaining Council approval, and choosing the method of disposal such as sale, exchange, or gift.
- Specifies conditions for unique property types requiring specific consents for disposal, with proceeds from park land sales designated for new park acquisitions.
- Establishes guidelines for acquiring remnant properties, particularly those affected by the Honolulu High-Capacity Transit Corridor Project

Policy and regulation review

ROH Ch. 38, Lease and Rental of City Real Property, Including Fees

Chapter 38 outlines the procedures and regulations governing the lease and rental of real property owned by the city.

The chapter establishes uniform procedures for leasing or renting city-owned property.

It details bidding requirements and procedures, which require public advertisements and sealed bids for leasing or renting city property or concessions, except in certain specified situations. It outlines bidder qualifications, the process for bid submissions, bid opening and rejection, and the criteria for awarding contracts. Bids must be accompanied by a deposit and, upon contract award, a security deposit or bond.

Exceptions to the standard bidding requirements are outlined, allowing the city to lease or rent properties under specific conditions without public bids, such as to city employees, for short-term uses, or for activities promoting tourism without charges. Conditions include scenarios like property acquired by eminent domain, leasing to city or state employees, or properties used for events promoting tourism.

The chapter also specifies the terms of agreements. The typical contract term shall not exceed five years unless extended by Council resolution under certain conditions related to public interest and significant investment by the lessee.

Finally, the chapter discusses general provisions for the lease and rental policy specifically for the Department of Enterprise Services, establishing uniform policies for certain city facilities and detailing procedures for booking, payment, and cancellations, among other administrative details.

Summary:

- Sets uniform procedures for leasing or renting city-owned property.
- Specifies detailed bidding requirements for leasing or renting, including public advertisements, sealed bids, and qualifications for bidders.
- Addresses penalties for regulatory violations
- Establishes specific leasing and rental policies for the Department of Enterprise Services

Policy and regulation review

HB 2090 / Act 37 (2024), Adaptive Reuse

HB 2090 facilitates conversion of commercial buildings to residential use in areas zoned for commercial use.

HB 2090 specifies that:

- By January 1, 2025, each county must adopt ordinances allowing for adaptive reuse of commercial buildings for residential use.
- No additional parking if existing off-street parking meets at least 50% of county requirements
- Counties must allow for adaptive reuse in compliance with International Building Code which:
    - Allows for micro units (220 SF)
    - Allows for interior bedrooms with adequate ventilation and lighting

Limitations of legislation:

- Residential can be prohibited from ground floor
- Does not apply to parcels zoned under 206E

Policy and regulation review

SB 2066 / Act 38 (2024), Expedited Permitting

SB 2066 establishes an alternative pathway to the same exemptions allowed by 201H-38.

SB 2066 establishes an alternative pathway to the same expedited permitting and exemptions allowed by 201H-38 (certain impact fees, regulations, and property taxes).

Its intended effect is to serve households up to 140% of AMI, recognizing that current interest rates make financing housing production for incomes below this level infeasible.

Affordability and qualified residents:

- All units must be for Hawaii residents with no majority ownership of other property
- Units must be owner-occupied
- More than half of units must be affordable to households at 140% of AMI
- Units are exclusively for qualified residents for the lifetime of the project
- Counties may not adopt stricter income requirements than those defined by the state

Policy and regulation review

SB 2337 / Act 45 (2024), Mixed Use

SB 2337 facilitates county support of mixed-use development.

SB 2337 gives counties similar powers as HHFDC for the purposes of developing, constructing, financing, refinancing, or providing mixed-use developments.

Allows counties to issue bonds for mixed-use development.

Specifies that projects should prioritize walkability.

Expires June 30, 2028

Policy and regulation review

Resolution 24-148 (2024)

Resolution 24-148 proposes increasing allowable density in apartment and mixed-use zoning districts.

Introduced on May 24, 2024 and currently under consideration by Council, Resolution 24-148 proposes amending the Land Use Ordinance (LUO) with updated development standards that allow for higher-density housing in apartment and mixed-use districts where, according to the resolution, denser development is more appropriate and should be concentrated (excluding residential districts from increased density).

Specifically, the resolution specifies density changes for these districts through increased Floor Area Ratio (FAR) allowances in the development standards tables of the LUO.

This resolution has not been approved as of early September, 2024.

Stakeholder outreach and engagement

The Comprehensive Housing Plan process included interviews, focus groups, and intensive meetings with a wide range of stakeholders to inform the plan's analysis and recommendations. Those engaged included developers, advocates, service providers, economists, researchers, analysts, state lawmakers, City Council members, state and local government staff, and others.

This section summarizes common themes and ideas voiced by stakeholders during these outreach and engagement activities.

Stakeholder outreach and engagement

Stakeholder interview themes: People and place

Compilation of comments pertaining to Honolulu's demographics, housing trends, and community perspectives.

- Migration is becoming the primary driver of decreased growth (death rates starting to surpass birth rates on some islands, O'ahu will be next)
- While it would be difficult to build too many units overall, there may be a limit to the market for high-end housing.
- Vacancy rate is very high - among the highest in the country - largely due to second homes market. 27% of purchases in 2024 Q1 were out of state buyers.
- The skilled workforce (ex. nurses) is at risk of leaving due to high cost of housing.
- Multigenerational households are more common in Hawaii than elsewhere, requiring more larger units
- Many units are too large for current occupants. Carving part of the house into a second apartment introduces a new housing opportunity and also helps the homeowner defray rising housing costs.
- People are commuting farther and farther to downtown due to rising housing costs
- There are very low density neighborhoods directly adjacent to downtown which some feel should be prepared to accommodate change

Stakeholder outreach and engagement

Stakeholder interview themes: Development barriers

Compilation of comments pertaining to barriers to housing development as experienced and expressed by stakeholders.

- Permitting process is slow, the time adds project cost which is passed to buyers/renters in the form of higher housing prices.
- Just reducing permitting time to 2-3 months could save $100k/unit
- Permitting time and friction is not due to a single department but the fact that projects have to shuttle between several approvers for different components - better coordination/centralizing or streamlining could help
- Local building code should be limited and not extend beyond International Building Code (IBC) on key design items that can drive costs and feasibility (such as requiring operable windows, which inhibits office-to-housing conversions)
- Land cost is a more significant cost driver than materials and labor given limited availability, upfront nature of the the expense, and carrying costs (which can add up during extended approvals process).
- For affordable projects, financing is very competitive as there is a limited pool and every project needs subsidy.
- Project-based vouchers would help expand annual housing production
- There are limits to what government can mediate - many of the key cost drivers are outside government control, such as interest rates, labor costs, material costs, etc.
- Infrastructure limitations are a major hindrance to TOD development (ex. sewer capacity in the Aloha Stadium area). No developer wants to be “first in” and pay for installing infrastructure as the costs cannot be supported within a single project.
- There is significant community resistance to new housing outside the urban core which can influence City leadership and shape policy or impede development in many places - the TOD area seems to be the one place most people agree new, high density development is appropriate.
- Zoning, height, and FAR limits restrict development in many places

Stakeholder outreach and engagement

Stakeholder interview themes: Ideas

Compilation of some of the specific suggestions and ideas that stakeholders felt could help shape policy recommendations.

- Align City affordability definition for 201H with state's at 140% AMI. This will improve the feasibility of building more affordable units and also help reduce the cost of market rate units in turn (they must help cross-subsidize the affordable units so this would reduce that burden).
- Reducing 201H affordability duration from 30 to 10 years (and/or increase the rate of equity accrual for sale or buy-back) would help more homeowners build meaningful equity
- Limiting short-term rental use could make second homes more expensive
- Government's top two powers: provide land and streamline the approvals process
- Split permitting process into different tracks for different-scale projects with a fast track for large developers that are able to move quicker
- Support infrastructure investment at the project or district scale with bonds, etc.
- Some would have less resistance to supporting new development through public infrastructure investment rather than direct subsidy to developers
- <30% AMI housing is very hard for developers to provide, should be addressed with public housing.
- Housing for 80-120% AMI is the segment least served by current programs
- Think about TOD development like East Asian cities: high density complexes at each station

Stakeholder outreach and engagement

Housing boot camp

The planning team led two intensive meetings with a selection of stakeholders to deeply engage with housing issues and opportunities considered most impactful to the City meeting its housing goals production goals by 2029 and beyond.

Participants/Solutions architects: Developers, city staff, housing advocates, lenders, investors, others

Agenda

- Introduction and welcome
- How do we build on recent progress for real change?
    - What policies and support are needed to leverage legislation for adaptive reuse/office conversions to ensure impact?
    - How to leverage new ADU legislation to ensure impact?
    - How to facilitate TOD to turn the vision into reality?
    - What is needed to support market-rate workforce housing?
    - What is needed to support homeownership for moderate-income households?
    - How can the city better support needed development?
- What are the top priorities and action items?