

Strategies to increase housing production

Through extensive literature review, review of legislation, data analysis, stakeholder working sessions, and in-person focus groups, the Community Scale team has developed the following recommendations for the housing plan.

Overview

To assist the City and County of Honolulu with achieving its housing goals, the CommunityScale team provides an approach and specific strategies for consideration.

This section details the plan for addressing Honolulu's housing needs. It includes the following sections:

- Housing goals: What we want to accomplish
- Strategy framework
- Strategies
- Legislative action plan

Housing goals

What we want to accomplish

- **Stem the flow of out-migration driven by Honolulu's high housing costs and high cost of living.** The outmigration threatens to deprive Honolulu of moderate-income households, who are the engine of Oahu's economy.
- **Increase opportunities for homeownership** and homebuyers' ability to build wealth through homeownership.
- **Ensure the availability of housing for residents across the income spectrum.**
- **Encourage a majority of new housing development to occur in TOD areas,** especially those currently prioritized by the state (East Kapolei, Halawa-Stadium, and Iwilei-Kapalama).
- **Align infrastructure investment with housing development plans** to make the most effective use of limited infrastructure funding and long implementation timeframes.
- **Ensure that the City's staff capacity matches the tasks assigned to it.** This includes permitting and housing finance and development staff capacity to support the desired scale and pace of development.
- **Recognize the need to balance:**
 - **The City's needs for property tax revenues** to sustain vital services (e.g. police, fire, road maintenance, etc.) that benefit the community
 - The **community's need for affordable housing** and
 - **Builders' need for project feasibility**

Approach

Strategy framework

The 2023 Housing Plan for the City and County of Honolulu laid out a pragmatic menu of strategies, some of which have already been accomplished, and others of which are currently being implemented.

We recommend that Honolulu continue to robustly implement current strategies. The additional recommended strategies build on this work already underway.

Four categories of strategies

- Robustly implement current strategies
- Add new strategies to help the City's housing programs better serve residents and accelerate development in appropriate locations
 - Accelerate the pace of housing development
 - Update affordable housing incentives and related policies
 - Facilitate desired development types in appropriate locations
 - Make more effective use of federal housing funds
- Explore innovative strategies that have the potential for significant future impact
- Create an effective enabling environment for progress

Approach

Robustly implement current strategies

Many of the strategies defined in the 2023 Housing Plan are in the process of being implemented. This section provides a review of these strategies, many of which Honolulu will continue to implement. In some cases, refinements to strategies described in the 2023 Housing Plan are recommended in the following sections.

Contents

- 2023 Housing Plan – achievements
- Review of strategies – 2023 Housing Plan
 - Invest in affordable housing
 - Maximize City financing programs
 - Streamline and accelerate the entitlement and permitting process
 - Address regulatory barriers
 - TOD and infrastructure development
 - Improve real estate and asset management
- Additional progress to date

Robustly implement current strategies

2023 Housing Plan - achievements

The 2023 Housing Plan has already had an impact on housing in Honolulu. Selected achievements over FY 2022-2024 (to date) include:

- **First public solicitation of City's Affordable Housing Fund issued:** \$18.8 million awarded to create 500 low-income rental units, plus an additional \$8.3 million awarded for 330 units, conditional on projects securing mortgage financing.
- **Private Activity Bond program resurrected after 23-year hiatus to launch Multifamily Rental Housing Program.** \$258 million in bond funds awarded to preserve or create almost 950 units.
- **City lands made available for affordable housing:** 18 acres leased to private developers using a long-term ground lease for development of nearly 830 affordable rental units.
- **Permit process improvements** mean that total average time to process a residential permit is down from 330 days in November 2022 to 197 days in May 2024, with even more progress anticipated..

Robustly implement current strategies

Review of strategies - 2023 Housing Plan

Many of the strategies defined in the 2023 Housing Plan are in the process of being implemented. Honolulu will continue to implement these previously adopted strategies. In some cases, adjustments, augmentation, or additional work is recommended.

Strategy	Assessment / Recommendation
Invest in affordable housing	
Acquire real property	Consider Adjusting. Acquiring property is risky; it requires the City to “outsmart” private sector, assume risk of holding property, and then go through long disposition process. Consider switching to taxable bonds and using them to finance and subsidize privately developed projects.
Incentivize private development	Sound. Execute Plan strategies to promote construction of affordable rental housing in apartment and business mixed-use zoning districts.
Maximize city financing programs	
Maximize use of Affordable Housing Fund; issue Private Activity Bonds	Sound. Execute Plan strategy to use AHF. Continue to partner with HHFDC to ensure that PABs are used to support housing on O’ahu and not returned to the state for use elsewhere.
Optimize utilization of HUD funds	Sound. Implement Plan strategies to project-base HCVs; recommend more strategic use of CDBG and increasing capacity to implement HTF.
Streamline the entitlement and permitting process - people, processes, and technology	
Expand capacity, adopt technology, & streamline the process	Sound. Implement Plan strategies to expand capacity (via training and hiring), adopt technology, and streamline the process.
Establish an affordable housing database	Additional work needed. Underway, but existing data is often incorrect, incomplete, and difficult to access. More robust data collection and cleaning procedures are needed.

Robustly implement current strategies

Review of strategies - 2023 Housing Plan (cont.)

Strategy	Assessment / Recommendation
Address regulatory barriers	
Address regulatory barriers	Augment. Execute and build on Plan strategies to address regulatory barriers including self-certification (Bill 6), adaptive reuse, and streamlining procurement procedures for City-owned land (ROH Ch 38). Implement plans to revise the Land Use Ordinance. Revise 201-H to account for shifts in development economics related to higher interest rates.
Streamline procurement procedures for city-owned properties	Sound. Execute plan to streamline procurement procedures for city-owned properties by advocating for revisions to Chapter 38, ROH.
Consider residential vacancy tax	Additional work needed. An empty homes tax faces opposition related to questions about implementation details. Design details and a review of best practices from other places could help build support for the program.
Transit-oriented development and infrastructure investment	
Implement Neighborhood TOD plans	Sound. Execute Plan strategies to carry out neighborhood TOD plans: <ul style="list-style-type: none"> • Skyline: Continue to take advantage of opportunities for high-density housing/TOD in this location. • Infrastructure: Continue to define City's infrastructure plans for Iwilei, Aloha Stadium, and East Kapolei and work with state agencies on improvement projects. • TOD development: Continue to consolidate parcels to capitalize on construction of TOD near rail stations (currently focused on Iwilei).
Invest in infrastructure to support TOD	Sound. Execute Plan strategies to invest in infrastructure to support key TOD areas.

Robustly implement current strategies

Review of strategies - 2023 Housing Plan (cont.)

Improve real estate and asset management	
Improve real estate and asset management	<p>Sound, though recommend modification. Execute Plan strategies to optimize City management and development of real property and explore privatization of the City's portfolio to reduce risk:</p> <ul style="list-style-type: none">• Optimize management of existing city real property: Continue working to consolidate functions currently carried out by DLM and DCS• Optimize development of existing city real property:<ul style="list-style-type: none">○ Continue to analyze city-owned property to identify vacant or underutilized properties to leverage for affordable housing;○ Continue to collaborate with other city initiatives to better plan for and enhance capital improvements on city-owned assets• Explore privatization of the city's portfolio: Continue to consider privatizing Honolulu's affordable housing portfolio with the benefit of lessons learned from HHFDC
Address non-performing holdover assets	<p>Sound. Execute Plan strategies to repurpose or seek solicitations to turn around non-performing holdover assets.</p>

Robustly implement current strategies**Demonstrated progress**

Building on the strategies included in the 2023 Housing Plan, Honolulu has made significant strides toward removing barriers to housing production. These include:

- Reorganizing the housing functions in the City to improve coordination and efficiency, including creating a new Department of Housing and Land Management
- Establishing the Mayor's Housing Stakeholder Group
- Implementing new permitting software (CLARITI), to be combined with E-Plans
- Using AI to pre-screen new permit applications, significantly reducing pre-screen wait times
- BFS engaged a contractor to design an empty homes tax program for City Council consideration. The tax would be intended to address Honolulu's vacancy rate by encouraging owners of empty homes to rent or sell their properties, perhaps for long-term use.
- Implemented grants to assist developers undertaking small-lot affordable rental housing projects, consolidated under ROH Chapter 32.

Approach:

Add new strategies to help the City's housing programs better serve residents and accelerate development in appropriate locations

In addition to strategies already underway, additional steps are needed to enhance the City's ability to meet residents' housing needs, accelerate development and encourage housing production.

Contents

- Accelerate the pace of housing development
- Update affordable housing incentives and related policies
- Facilitate desired development types in appropriate locations
- Make more effective use of federal housing funds

Accelerate the pace of housing development

Reduce the costs of development by increasing the predictability and speed of the development process

Background

The length and unpredictability of the City's entitlement and permitting processes contribute to risk and costs for developers, increasing the cost of housing.

Strategies

- Provide standard waivers at the beginning of the development process, rather than discretionary (granted at the end of the process) to increase predictability and reduce costs. If certain waivers need to remain discretionary, include objective and documented guidelines that specify what is expected of developers in exchange for waivers/approvals.
- Shorten the development approval process timeline and allow parallel approvals (rather than sequential) by City departments. Consider dedicated inter-departmental teams to speed up the approval process, beginning with pre-development meetings.

Spotlight: Austin, TX

Austin, TX created a Development Services Department (DSD) to support homeowners, contractors, and businesses with development projects. An Affordable Housing Office within DSD works with community partners to move projects quickly through plan review and permitting. For example:

- **Plan Review Intake teams** reserve Wednesdays to process applications and permit requests and on Fridays the Residential and Commercial Plan Review Teams review updated applications and finish reviews.
- DSD added a third team of reviewers to the **Expedited Building Plan Review program**, in which a team of plan reviewers and the applicant design team hold a single review session to speed up the process.

Accelerate the pace of housing development

Increase the effective use of limited urban land by updating the Land Use Ordinance and increasing density

Background

Efforts are underway to update Honolulu's Land Use Ordinance to, among other things, permit multi-unit housing projects in B-1 and B-2 zones in specific locations and allow an ADU + ohana unit in addition to the principal unit on residential lots under certain circumstances. Updates should also include changes to increase densities in appropriate areas through changes to effective floor area ratios (FARs).

Strategies

- Broaden permissible land uses to include residential use, allowing multi-unit dwellings on lands zoned for business, business mixed-use, apartment, and apartment mixed-use districts.
- Update density or development standards in Apartment and Apartment Mixed-Use Districts to allow effective FARs to match regulated FARs. That is, either eliminate the FAR limit, allowing building FAR to be dictated by height and lot coverage limits, or increase FARs to match the floor area ratio allowed by height and lot coverage limits.

Accelerate the pace of housing development

Facilitate conversion of vacant or underutilized office buildings into housing

Background

HB 2090 (Act 37, 2024, relating to mixed-use zoning and adaptive reuse), which was signed into law in 2024, allows multifamily residential uses in all commercial areas. It is intended to help revitalize underused malls and downtown areas, and facilitates conversion of vacant or underutilized office buildings into housing. Office conversions can be a faster way to increase inventory than new construction while also facilitating the repurposing of buildings with high rates of vacancy into more intensive use, aiding the local economy.

Local building code requirements that exceed the requirements of model building codes have sometimes been a barrier to office conversions; to address this, among other things, this law requires counties to allow for adaptive reuse under the standards of the International Building Code. It allows for micro units (as small as 220 square feet) and allows for interior bedrooms, as long as there is adequate mechanical ventilation and lighting.

Strategies

- Promptly revise administrative rules and any relevant ordinances to allow for implementation of Act 37 (2024). Identify and address any safety concerns with mechanical ventilation and a reliance on electric lighting (such as the possibility of power failure) to allow redevelopment of underutilized offices to move forward.
- Meet regularly with stakeholders to identify whether there are additional barriers to office conversions and other adaptive reuse projects and address them, to the extent feasible.

Accelerate the pace of housing development

Extend City policies beyond current deadlines; advocate for extensions in State program deadlines

Background

- **Short sunset provisions** included in some city legislation provide too short a window for the market to fully respond, leading to increased risk for developers and therefore less development.
- For example, **Bill 7 (ROH Chapter 32, Ordinance 19-8)**, which relaxed certain zoning and building code standards in apartment and business mixed-use districts, did not immediately result in the expected production of units.
- Once authorized by legislation, **programs generally take at least two years to stand up**, and it takes time for developers to respond to new incentives. Short sunset provisions discourage developers from making the investment in changing their business model to take advantage of new incentives.

Strategies

- **Drop sunset provisions** and repeal legislation as needed, or extend sunset provisions to 10 years or longer.
- **Advocate for changes to state laws with short sunset provisions**, such as SB 2337 (Act 45, 2024). Act 45 authorizes the City to use bond funds for mixed-use development, but sunsets in June 2028, rendering the authority ineffective.

Update affordable housing incentives and related policies

Revise Honolulu's 201H policy and Ord. 18-10 to accommodate changed market conditions

Background

Since Honolulu's Affordable Housing Requirements (Ordinance 18-10) and 201H policies were adopted, the economic realities of development have changed in ways that make the current policies outdated and ineffective:

- Rising interest rates have reduced the amounts of the mortgages that eligible families may qualify for
- Rising construction costs have made it more expensive to build
- This leads to a situation in which developers struggle to cost-effectively build housing that complies with rules
- **Result:** Since fewer projects “pencil,” fewer projects get built, leading to reductions in both the overall supply of housing and the number of affordable units created through these policies.

The City's approach to the long-term affordability of homeownership units could also be more effective in helping working households build wealth and preserve affordable units over the long term. There appear to be at least two problems with the City's current approach to the long-term affordability of homeownership units.

- With annual interest on homeownership units capped at 1 percent simple interest, **affordable homeownership units provide very little opportunity to build wealth**, making them less attractive to buyers.
- **Units with long-term (e.g. 30-year) affordability restrictions are not priced at levels sufficiently below market** (and below the levels of units with 10-year restrictions) to encourage homebuyers to accept the limitations on wealth creation.

In August 2024, the Mayor initiated a process of updating Honolulu's 201H policy to increase to 140% AMI the incomes of households targeted for affordable units. This approach, which matches HHFDC's policy, will help make 201H more economically viable for new development.

Update affordable housing incentives and related policies

Revise Honolulu's 201H policy and Ord. 18-10 to accommodate changed market conditions (cont.)

Strategies

- **Update the City's 201H policy and affordable housing requirement** (Ordinance 18-10) to reflect changes in the economic environment since they were adopted and ensure they are effective in creating affordable units without hindering new development. While matching the state's 201H policy is a **good interim solution**, we recommend working with the development community to identify a long-term approach that better achieves shared goals (see Example Update to Affordable Housing Requirements on the next page).
- **Adopt a "shared equity" approach** that allows homeowners to share in the benefits of home price appreciation. One common shared equity formula is to allow a homebuyer to sell a home for the price they paid for it plus the costs of improvement and 25% of the increase in the appraised values of comparable homes without restrictions.

Update affordable housing incentives and related policies

Revise Honolulu's 201H policy and Ord. 18-10 to accommodate changed market conditions (cont.)

Example Update to Affordable Housing Requirements

- Rather than raising the costs for “affordable” units to prices appropriate for households at 140% of AMI, consider keeping current income limits (at 100% and 120% of AMI for the AHR and 80% and 120% of AMI for 201H) while reducing the share of units required to be affordable.
- The specific affordability levels and percentages of units should be informed by a thorough review of development proformas and set at levels that ensure that development is financially feasible given: (a) the share of affordable units and level of affordability; (b) the ability of developers to build the new development and generate sufficient cross-subsidies to support the affordable units; and (c) any fee waivers, density bonuses and other incentives provided.
- Any units subject to 20- or 30-year restrictions should be priced at levels below those of units with 10-year restrictions and well below market levels.
- To ensure that long-term affordability is a viable option for developers, it will be important to address the challenge of developers who try to sell units at an affordable price but cannot find buyers. If the units are selling at a sufficiently low price and there is a shared equity formula, the units should be more attractive making this problem less common. But it will nevertheless be important to address this contingency. Two options include: (a) easing the affordability requirements if units don't sell within a specified timeframe (e.g., 6 months) or (b) having a nonprofit partner of the city facilitate the purchase of units at the affordable price (and agree to purchase them if they cannot find a qualifying buyer within a set time period).

Facilitate desired development types in appropriate locations

Facilitate mixed-income housing

Background

One of Honolulu's key housing goals is to serve people at a range of incomes. The LIHTC program is effective at creating housing units affordable to a narrow portion of households, those with incomes between 30 and 60 percent of AMI. To serve a wider range of incomes, it will be important to adopt complementary policies.

Project-basing of vouchers would allow families with incomes below 30% of AMI to afford to live in LIHTC or other rental developments. In addition, the City's allocation of federal housing trust funds can facilitate the development of LIHTC units by providing gap financing as part of a mixed-income strategy.

Strategies

- **Encourage project-basing federal Section 8** Housing Choice Vouchers in appropriate projects and forward-commit project-based vouchers to developers so they can include the commitments in their tax credit applications
- Draw down on the federal **affordable housing trust fund** to support mixed-income housing.

Facilitate desired development types in appropriate locations

Invest in and finance TOD infrastructure

Background

The lack of public infrastructure along the new transit line is a significant impediment to new development. No project can afford the full costs of being “first in” to a new area, which would require paying for the costs of expanding utilities to a new area.

The City can accelerate development in TOD areas by facilitating and coordinating the installation of some or all of the necessary public infrastructure.

An important question is whether and if so how much cost recovery the City should require in exchange for its infrastructure investments. A better understanding of pro formas for development in these areas in light of the various height and density waivers is needed to determine whether the projects can support cost recovery, and if so, how much. Potentially, fees could be waived or reduced in exchange for greater affordability.

Strategies

- **Develop a strategy to invest in and finance the infrastructure needed to facilitate development in TOD areas.**
The strategy should consider both financing approaches and cost recovery.
- **Consider financing approaches** such as TIFs (tax increment financing) and CDFs (community development finance bonds)

Facilitate desired development types in appropriate locations

Facilitate the use of ADUs in appropriate locations

Background

While Accessory Dwelling Units (ADUs) are not a panacea, they can be helpful in appropriate areas in expanding housing options. Among other uses, they can allow parents to provide housing for their children, allow seniors to provide housing for their caregivers or augment their income with rental income. Consistent with SB 3202/Act 39 (2024), the City can identify areas appropriate for ADUs, such as near rail transit and arterial roads in the urban core.

Strategies

- Guide the use of ADUs by determining where ADUs should be encouraged.
- Adopt a set of pre-approved building plans for ADUs.
- Streamline permit applications and provide homeowners with assistance obtaining permits and understanding the development process.
- Explore how to facilitate making larger ADUs available as homeownership units.
- Work with the labor unions to explore and promote the use of modular housing for ADUs.

Spotlight: Pre-Approved Building Plans

Portland, Oregon offers four free, pre-approved detached ADU construction plans. These plans **reduce resources needed for a project and save time in the permitting process.**



Make more effective use of federal housing funds

Develop a strategic approach for use of HOME, CDBG, and City funding sources

Background

The City's HOME, CDBG, and City funding sources have not always been budgeted strategically. Different departments administer the funding sources, and some funding sources are administered by more than one department. For example, most of Honolulu's CDBG funds are administered by the Department of Budget and Fiscal Services; a portion is administered by the Department of Community Services.

Strategies

- **Develop a strategic approach for use of HOME, CDBG, and City funding sources.** It is important to develop a proactive plan to utilize these funds that accounts for applicable limitations and ensures the spending plans complement each other and advance the City's housing goals.
- This will require the City to **improve collaboration between City departments** charged with administering CDBG, HOME, and City affordable housing funds.
- As one approach, Honolulu could use its allocation of CDBG funding to seed a flexible housing fund. With a [Section 108 Loan Guarantee](#), Honolulu could access up to five times its annual CDBG allocation in flexible, low-cost, low interest funding. This would be an advance on future funding, rather than a net funding increase. This funding can be used for a wide range of activities, including to finance infrastructure, adaptive reuse, preservation, housing in mixed-use and TOD areas, and as a revolving loan pool to support housing development. Note that use of CDBG funds triggers prevailing wage requirements, so this loan fund should be focused on projects already subject to these requirements.

Approach

Explore innovative strategies that have the potential for a large future impact

Honolulu may want to consider adopting innovative strategies to build on the series of pragmatic recommendations to improve housing production on the island. These strategies, while new to Honolulu, have been effectively used elsewhere around the country, and, if adopted, have the potential to support significant numbers of new housing units.

Contents

- Explore the use of taxable bonds
- Pursue programs that respond to the increasing demand for homeownership
- Explore the possibility of using at-scale development of modular housing with union labor to produce affordable ADUs and entry-level homes

Explore innovative strategies

Explore the use of taxable bonds (page 1 of 2)

Background

Across the country, cities are using taxable general obligation bonds as a mechanism for generating affordable housing. While these bonds do not carry the interest-rate benefits of tax-exempt bonds, they are much more flexible. The City could decide exactly how it wishes to use the bond proceeds. For example, the City could:

- Provide subsidy to allow workforce housing developments to be financially feasible;
- Provide gap financing for LIHTC developments;
- Provide short-term loans to developers to facilitate construction – such as for the construction contingency; or
- Provide mezzanine financing to be repaid when permanent financing is in place.
- Provide down payment assistance to prospective purchasers

Using taxable bonds to support private development projects has a number of advantages over the purchase of land, which is currently a key way the City uses general obligation bonds:

- The City does not assume the risks associated with acquiring property, including the risk of making a bad investment
- The City does not assume the burden and lengthy time commitment associated with disposing of city-owned land, during which time the City has to maintain the land and can experience losses related to natural disasters
- The City can let developers do the work of identifying properties that are appropriate for development without having to build the staff capacity to do this work internally; and
- The City does not experience the loss of tax revenue associated with city-held property.

Explore innovative strategies

Explore the use of taxable bonds (page 2 of 2)

Strategies

- **Explore the use of taxable general obligation bonds** to support the City's affordable housing goals – in addition to or instead of purchasing land with CIP bonds.
 - This would reduce the risks and delays associated with the City acquiring, holding and disposing of land, and avoids loss of tax revenue associated with City-held property.
 - Replacing CIP bonds with a smaller amount of taxable bonds would **reduce** the city's total debt level.
- Under Hawaii Revised Statutes Section 47-3, the County's power to issue bonds for housing is limited to the specific provisions of Hawaii Revised Statutes Section 46-15.1. **A legal analysis could help determine whether an amendment to state law is needed to broaden** the county's powers to use taxable bonds for housing

Explore innovative strategies

Taxable bonds in Alameda County, CA and Portland, OR

Spotlight: Alameda County, CA

In 2016 Alameda County voters approved Measure A1, a \$580 million bond bill for housing:

Homeownership development	\$25 million
Home preservation	\$45 million
Downpayment assistance	\$50 million
Innovation	\$10 million
Acquisition and opportunity	\$25 million
<u>Rental development</u>	<u>\$425 million</u>
	\$580 million

The bond is being repaid using a special property tax assessment.

Spotlight: Portland, OR

The **Portland Housing Bond**, passed in 2016, provides \$258 million for 1,300 homes affordable to people with AMIs of 60% and below.

The **Metro Housing Bond**, passed in 2018, authorizes \$653 million for housing in Washington, Clackamas, and Multnomah counties. In total, bond funds are expected to contribute to construction of 12,000 affordable housing units.

Both bonds are being repaid with a special property tax assessment.

Explore innovative strategies

Pursue programs that respond to the increasing demand for homeownership

Background

As noted in the Housing Needs Assessment, homeownership is increasingly out of reach for many Honolulu households. The median price of a single-family home in early 2024 was \$1.07 million, and the median price of a condo was \$522,000, well out of reach of a household at the median income of \$120,100. At this income, home prices are unaffordable above \$462,000.

Strategies

- **Provide down payment loan assistance** to qualified buyers (authorized by HRS 201H-161) via a collaborative agreement with HHFDC
- One approach would be to convert a portion of O'ahu's private activity bond allocation to mortgage revenue bonds, to be issued and administered by HHFDC.
- Loan assistance would be limited to 15% of the purchase price or a maximum of \$60,000; loans would be serviced by a credit union or other non-profit financial institution.
- Implementing a **shared equity strategy** (described earlier) and encouraging **long-term affordability** as part of City incentive programs will also support Honolulu households in achieving homeownership.

Explore innovative strategies

Explore modular housing with union labor

Background

Using modular construction to achieve economies of scale in the production of entry-level homes is **one of the most cost-effective ways of significantly lowering homeownership costs** for homebuyers. Because of its great potential, a growing number of states are investing in modular manufacturing capacity as a way to produce more affordable homes. Key examples include Colorado (which provides low-cost financing for plants and bonuses for modular production) and Oregon (which has made equity investments in both modular and manufactured housing plants).

Previous efforts to introduce modular construction in Honolulu have seen limited success, because of the risk associated with market downturns. **A public-private partnership could mitigate this obstacle at low cost and low risk**, while advancing affordability objectives.

Strategies

- **Explore the possibility of using at-scale development of modular housing with union labor to produce affordable ADUs and entry-level homes.** HHFDC could potentially be a partner in this effort.
- **Assess locations** within O'ahu where modular housing is most likely to be an effective solution

Approach

Create an effective enabling environment for progress

Several systemic barriers are hindering progress toward meeting Honolulu's housing goals. These barriers must be addressed to facilitate the success of all the other strategies included in this housing plan.

Contents

- Continue building trust between the development community and the City
- Ensure the City has the workers it needs
- Improve collection of data

Create an effective enabling environment for progress

Continue building trust between the development community and the City

Background

A good working relationship with the development community will help the City achieve its housing goals. It will help ensure that the City's goals are communicated clearly and effectively and that the City does not inadvertently constrain development by adopting rules that make development infeasible. Trust is an essential element of this relationship. The City and developers need to be working from the same basic facts about the current economic realities of the development process, but it's not clear that the parties currently have this shared understanding.

Strategies

- **Conduct a facilitated process between developers and City staff** including several steps:
 - Review pro formas together to better understand the economic realities of development in today's environment and how things have changed since the City's inclusionary and incentives policies were first developed;
 - Clearly articulate the city's goals and rationales for different housing policies; and
 - Discuss and agree on approaches for improving communication and the regulatory and development process so that the City can better achieve its goals and developers have the tools to develop the housing the Island needs.
- Use this process to **update the City's inclusionary and housing incentives policies** (Ordinance 18-10 and 201H policy) to reflect current economic conditions.

Create an effective enabling environment for progress

Ensure the City has the workers it needs

Background

Many city departments are understaffed, which increases timelines and costs of development. To achieve the scale and pace of production desired by the City and effectively implement City policies, it will be necessary to increase city staff capacity, especially in DPP and DLM, to review development proposals and perform other functions in a timely manner.

Strategies

- **Ensure the City has the workers it needs** to effectively implement existing and planned policies. The City has already taken some steps to increase capacity, and could build on these efforts.
- In some cases, higher salaries and/or hiring bonuses may be needed to **fill open positions**. Use of outside contractors may be needed to augment staff.
- Explore **partnerships between the City and HHFDC** to implement key housing programs. There is substantial alignment of interests between the City and HHFDC in advancing affordable housing in Oahu. One way to make efficient use of staff at both entities is to discuss new ways to partner and minimize duplication of effort.

Create an effective enabling environment for progress

Improve collection of data

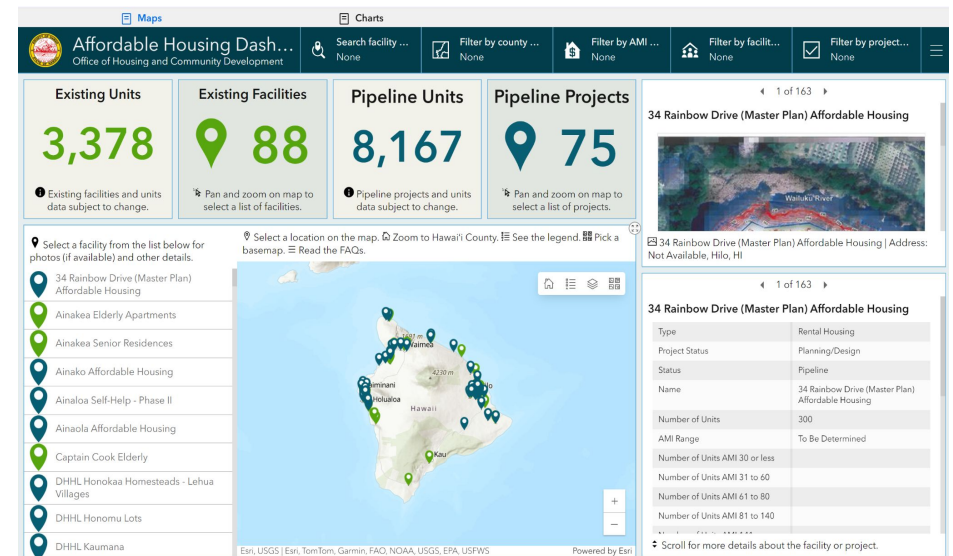
Sources: [Cambridge Dashboard link](#), [Dashboard database and scheme](#), [Dashboard about page](#), Hawaii County Affordable Housing Dashboard

Background

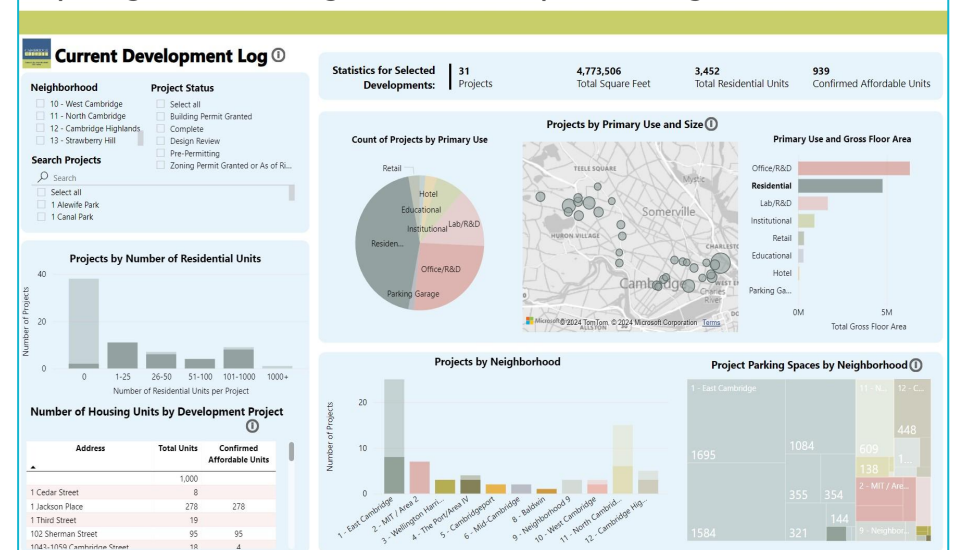
Shortcomings in the data available about the housing development pipeline and housing needs has led to differences across City departments in priorities. Lack of data also hinders the City from understanding and reporting on progress.

Strategies

- Build on [UHERO's affordable housing database](#) to **improve collection of data** of market-rate and affordable housing units in the development pipeline to allow robust real-time reporting on progress.
- Track permitting status of larger projects** on a development log in real time.



Spotlight: Cambridge, MA Development Log



An aerial photograph of a city, likely Honolulu, showing a dense urban area with various buildings and roads. In the background, a range of mountains is visible under a clear sky. The image is overlaid with a semi-transparent blue filter.

Legislative Action Plan

Many of the housing strategies recommended require changes to City law and administrative processes. Legislative actions, including revisions to existing legislation and introducing new legislation, are needed to fully implement the strategies and ease current housing challenges.

Strategies to increase housing production

Legislative Action Plan

Challenge/Existing Legislation	Legislative Action
Bill 6, adopted as Ord. 23-29, temporarily allows for professional self-certification to relieve the permitting backlog	Ord. 23-29 has very narrow application; revise the ordinance to allow broader application to improve effectiveness.
Amendments to Chapter 46, HRS, authorize the City to exercise the same powers granted to HHFDC in facilitating mixed-use development	Revise SB2337 (Act 45, 2024) to allow for longer sunset provisions. The bill requirement that bond funds be expended within four years renders the bill ineffective for the City.
Procurement procedures for City-owned land required by Ch. 38, ROH are cumbersome and lengthy, hampering the City's efforts to put City-owned land to productive use for affordable housing.	Continue efforts to introduce legislation to amend ROH Ch. 38 to allow additional procurement methods and a shorter process to facilitate affordable housing development on City-owned land.
The entitlement and permitting process is lengthy, in part because of challenges filling vacancies and retaining staff at DPP.	Support legislation (HB 1758, 2024) to clarify that code compliance review of construction plans is lawful experience in engineering work for City employees. The change will facilitate engineers' efforts to qualify to sit for the exam to become supervisors.
Honolulu's Land Use Ordinance has not had major updates since 1999; current densities in locations appropriate for development are unnecessarily limited	Support legislation (Bill 64) to revise the Land Use Ordinance to, among other things, permit multi-unit housing projects in B-1 and B-2 zones in specific locations and allow an ADU + ohana unit in addition to the principal unit on residential lots under certain circumstances. Support changes to effective floor area ratios (RESO 24-148).
The economic environment has changed since the City first adopted its 201-H policy	Revise 201-H to account for shifts in development economics related to higher interest rates.

Strategies to increase housing production

Legislative Action Plan (cont.)

Challenge/Existing Legislation	Legislative Action
<p>Some Honolulu ordinances contain sunset provisions (such as two years) that are not long enough to allow the City and stakeholders to respond.</p> <p>Some state laws also contain short sunset provisions.</p> <p>Ord. 23-12 extended to 2030 the sunset of Bill 7 (Chapter 32, Ordinance 19-8), which relaxes certain zoning and building code standards in apartment and business mixed-use districts. This is a positive development, and provides more flexibility than the previous sunset date. However, within a few years, the ending date will again be very near, which could deter developers from acquiring properties given uncertainty about whether the law will be in effect when they are ready to move forward.</p>	<p>Encourage Council to eliminate sunset provisions for Bill 7 and other local housing policies (instead repealing legislation as needed) or extend sunset provisions to 10 years or longer.</p> <p>Advocate for changes to SB 2337 (Act 45, 2024), which authorizes the City to use bond funds for mixed-use development, but sunsets in June 2028, rendering the authority ineffective.</p>
<p>Section 5-4, Affordable For-Sale Buyback Provision of the Department of Planning and Permitting’s Affordable Housing Rules limit the return to buyers of affordable homeownership units to 1% simple interest per year plus property improvements by the owner. The strict limit prevents buyers from saving for a downpayment for a market-rate home and deters potential buyers.</p>	<p>Adopt a shared equity program in place of the 1% annual interest to buyers of affordable homeownership units to allow homeowners to build assets over time. This would facilitate acceptance of longer-term affordability while also allowing families to build significant wealth.</p>