


OFFICE OF HAWAIIAN AFFAIRS
‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai
Legislative Testimony

SB4 SD1
RELATING TO INCLUSIONARY ZONING
Ke Kōmike ‘Aha Kenekoa o ka Ho‘okolokolo
Senate Committee on Judiciary

Malaki 2, 2021

9:35 a.m.

Hālāwai Keleka‘a‘ike

The Office of Hawaiian Affairs (OHA) **OPPOSES** SB4 SD1, a measure nearly identical to last year’s SB2212. While OHA appreciates this measure’s underlying desire to encourage greater housing development for local residents, **OHA believes that this bill as drafted may unnecessarily tie the hands of local and state agencies in exploring and implementing much-needed, comprehensive, and tangible solutions to our complex housing challenges, for projects that are unlikely to be affordable to current local residents and that may exacerbate, rather than relieve, the State’s housing crisis.**

As the legislature recognizes, Hawai‘i is in the midst of an affordable housing crisis: recent research indicates a projected need for 65,000 more housing units by 2025, with nearly one quarter of this demand for units affordable for individuals and families at or below 30% of the Area Median Income (AMI);¹ two thirds of this demand is also for units affordable to those at or below 80% of the AMI.² Notably, only 11 percent of Hawai‘i’s housing demand is for market rate units, or units priced 140% AMI or higher.³ **With 48% of households in the State already unable to afford basic household necessities including housing, food, transportation, health care, and child care,⁴ the demand for and lack of affordable housing, combined with rising housing costs, require bold and aggressive policies that meaningfully prioritize the housing needs of local residents.**

OHA does also recognize that Native Hawaiians have significant and unique housing needs, and are particularly affected by the ongoing lack of affordable housing. Notably, Native Hawaiians are less likely to own a home;⁵ Native Hawaiian households

¹ See SMS, HAWAI‘I HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf

² See *id.*

³ The State defines “affordable housing” as being affordable to individuals and families who make 140% of the AMI or less. See *id.* at 34.

⁴ ALOHA UNITED WAY, ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAI‘I (2017).

⁵ Native Hawaiians’ homeownership rate is lower than the state average; it is 54.4%, compared to the statewide average of 58.5%. Excluding DHHL lessees from this figure, the Native Hawaiian homeownership rate is even more disparate, at 42.7%. U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 1-YEAR ESTIMATES: 2017, (2018). HHL: Homestead Services Division, Commission submittal, 02/20/18. Retrieved on 11/15/18

are also much more likely to be “doubled up,” with multi-generational or unrelated individuals living together in single households.⁶ Furthermore, Native Hawaiian households are more than three times more likely have a ‘hidden homeless’ family member than all state households.⁷ Accordingly, ensuring that our counties and planning agencies can explore and implement a range of policies that may address Hawai‘i’s multi-faceted affordable housing crisis is of particular importance to the Native Hawaiian community.

OHA therefore appreciates that this measure seeks to facilitate the development of housing units to meet state residents’ unprecedented demand for housing. **However, the development policies promoted by this measure do not necessarily ensure that new housing developments on our limited available land base will actually be reserved for current state residents.** For example, although this bill would require that developments exempted from inclusionary zoning requirements are offered for sale to state residents and owner-occupants, it does not provide an effective state residency standard, nor does it require that units actually be sold to current state residents. Similarly, while prohibiting purchasers from owning any other real property could reduce competition from speculators and multiple property owners, such a prohibition does not address the considerable demand from the potentially substantial numbers of nonresident home purchasers seeking to relocate to Hawai‘i. Accordingly, the “market” for units that would be encouraged under this measure may continue to include national and global purchasers seeking to establish residency in Hawai‘i, and who are likely to have considerably greater buying power than Native Hawaiians and other local residents.

Moreover, while facilitating the development of “market” rate units, this measure may significantly frustrate efforts to explore a range of policy options that could more meaningfully address our affordable housing crisis. Again, 25% of the state’s projected housing demand will be for those earning 30% of the AMI, and over two thirds of the demand will be for units affordable to those earning 80% of the AMI or less. **Inclusionary zoning requirements may include a range of approaches that enable counties and policymakers to ensure that developments directly address the affordability needs of a majority of state residents.**⁸ Prohibiting the use of inclusionary zoning requirements for developments that could be comprised entirely of market rate units would foreclose important opportunities to ensure that the development of housing on our limited land

from <https://dhhl.hawaii.gov/wp-content/uploads/2018/02/February-20-21-2018-HHC-Packet-Kapolei-Oahu1.pdf>.

⁶ 24.8% of Native Hawaiian households, compared to 9.6% of state households, include more than two generations or unrelated individuals. SMS, *supra* note 1, at 70.

⁷ 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. *Id.*

⁸ **Notably, an individual earning 140% AMI in Honolulu, the target income class for the State’s affordable housing goals, would be making up to \$118,160 per year.** See HHFDC 2019 INCOME, SALES, AND RENT GUIDELINES, HONOLULU COUNTY INCOME SCHEDULE BY FAMILY SIZE *available at* <https://dbedt.hawaii.gov/hhfdc/files/2019/07/2019-Income-Sales-and-Rent-Guidelines.pdf>. At 140% AMI, a family of four would earn \$168,700 per year.

base serves a cross-section of all income levels, as required by the State Plan⁹ and needed by Native Hawaiians and current Hawai'i residents.

Finally, OHA notes that the promotion of market-rate developments may actually increase Hawai'i's affordable housing demand and exacerbate the current housing crisis. For example, studies have indicated that for every 100 new market rate units developed in Honolulu, a new need for 20 affordable units is created.¹⁰ Accordingly, prohibiting inclusionary zoning requirements for new developments would only incentivize the development of market rate units that increase the demand for affordable housing, and tie the hands of policymakers in addressing such demand.

The State must ensure that development policies appropriately prioritize meaningful affordable housing relief for its residents. **Restricting or removing the counties' ability to provide such relief, including through this measure's proposed prohibition on inclusionary zoning policies, would run counter to the State's obligations to facilitate such relief and ensure a full range of housing opportunities currently needed by low-income, moderate-income, and gap group individuals and families.**¹¹

For these reasons, we respectfully request that the Committee **HOLD** SB4 SD1. Mahalo nui loa for the opportunity to testify on this matter.

⁹ See HRS § 226-19.

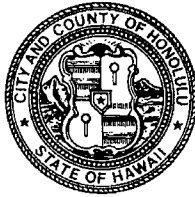
¹⁰ KEYSER MARSTON ASSOCIATIONS, RESIDENTIAL NEXUS ANALYSIS 6 (2015).

¹¹ HRS § 226-19.

DEPARTMENT OF PLANNING AND PERMITTING
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March 2, 2021

The Honorable Karl Rhoads, Chair
and Members of the Committee on Judiciary
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members of the Committee:

**Subject: Senate Bill No. 4, SD 1
Relating to Inclusionary Zoning**

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 4, SD 1, which would prohibit inclusionary zoning requirements on for-sale housing units offered exclusively and in perpetuity to buyers who are Hawaii residents, owner-occupants, and do not own any other real property.

Hawaii is known for its regulated housing market that tends to suppress the overall supply of housing, which results in higher prices based on pent up demand. The Bill proposes a major shift away from a regulated housing market to a free-market approach to affordable housing. We would suggest a more cautious and deliberate approach that would incentivize the development of more affordable housing.

Government subsidies are required to develop housing units at the lower end of the Area Median Income (i.e., <80% AMI). Projects are not economically feasible at this lower income without government subsidies (both land and funding). The City and County of Honolulu developed Ordinance 18-1, which attempted to incentivize the construction of affordable rental units on Oahu by waiving the following: real property taxes, wastewater system facility charges, plan review and building permit fees, and park dedication fees. We are currently exploring other ways to incentivize the production of more affordable rental and for-sale housing projects on Oahu.

The challenge in developing an affordable housing policy/program is how to incentivize housing development at the lower income levels and somehow provide a transition to market price housing. The real question is: "How to ensure the development of housing at all price points?"

The Honorable Karl Rhoads, Chair
and Members of the Committee on Judiciary
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We support the need to consider other methods besides inclusionary zoning to increase the supply of affordable housing on Oahu. However, these alternative methods need to be thoroughly vetted to avoid having any negative, unintended consequences to the affordable housing market.

Accordingly, we oppose Senate Bill No. 4, SD1, as drafted, and we are available to discuss our concerns with you to refine the Bill before it moves forward.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dean Uchida".

Dean Uchida
Director

TESTIMONY OF ELLEN GODBEY CARSON IN SUPPORT OF SB4, SD1

To the Senate Committee on Judiciary
For Hearing on March 2, 2021 at 9:35pm, Via Videoconference

I write in support of SB4, SD1. While I write as an individual, I have served as President and director of Institute for Human Services, leader for Faith Action for Community Equity, and member of the Church of the Crossroads Peace and Justice Mission Team, spending hundreds of volunteer hours helping Hawaii find better systemic ways to address its dual crises of homelessness and lack of affordable housing.

SB 4 is a component of the ALOHA Homes proposal (SB1), which is the game changer we need. We need a way to create affordable housing that will be sustainable and budget neutral, with non-profit approaches to building tens of thousands of housing units quickly and economically. ALOHA Homes is designed to do just that. But it needs limited exemption from inclusionary zoning requirements in order to allow its alternative model of building for residents of the State who are owner-occupants and do not own any other real property.

Senator Chang's bills for ALOHA Homes (the Singaporean model of housing) are the only proposal I've seen in my 30+ years of living in Hawaii that have any hope of making a major change in the supply of affordable housing units, in a way that is sustainable and budget neutral, using market forces and creative intelligence instead of taxpayer subsidies. Exemption of ALOHA Homes from inclusionary zoning allows them to exist in perpetuity for the benefit of Hawaii residents, while allowing our residents to enjoy financial appreciation of the units.

I was one of a few dozen people who paid my own way on Senator Chang's affordable housing study tour to Singapore and Hong Kong two years ago. I marveled at Singapore's system that allows approximately 90% of their population to own their own home, at affordable prices, on an island that shares many of the same daunting challenges we have in Hawaii. Our current methods for creating affordable housing in this state have been inadequate, incremental, unbelievably slow and tedious.

In my opinion, the bills to support ALOHA Homes deserve our strongest support. Let's give them a chance to work in Hawaii. It's true that there will be much to be worked out in details of how best to make a Singaporean model work in Honolulu. That's why these bills need all of us working together toward this goal, to help Hawaii create a new model for sustainable affordable housing in the United States.

Respectfully submitted,

Ellen Godbey Carson

Honolulu, Hawaii February 26, 2021



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**SENATE COMMITTEE ON JUDICIARY
Hawaii State Capitol
415 South Beretania Street
Via Videoconference
9:35 am**

March 2, 2021

RE: SB 4 SD1, RELATING TO INCLUSIONARY ZONING

Chair Rhoads, Vice Chair Keohokalole, and members of the committee:

My name is Beau Nobmann, 2021 President of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA-Hawaii is in strong support of SB 4 SD1, which would prohibit a county from using any law, ordinance, or rule to impose an inclusionary zoning requirement on housing offered exclusively for sale in perpetuity to buyers who are residents of the state, are owner-occupants, and do not own any other real property.]

Inclusionary zoning is ineffective because it forces developers to increase prices at the higher end, in order to subsidize units at below-market rates. Our housing crisis is a supply issue. We need to increase the supply of housing at all price points in order to solve this crisis. The state of Hawaii is in a dire housing crisis which has been further exacerbated by the ongoing pandemic situation. The building industry is one of the very few economic drivers in the state throughout the COVID pandemic, and giving them more opportunity to provide our residents with affordable housing would have a positive impact on our community.

We are in strong support of SB 4 SD1, and appreciate the opportunity to express our views on this matter.