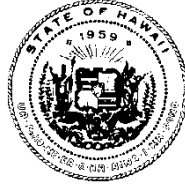


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

April 02, 2025 at 2:00 p.m.
State Capitol, Room 325

In consideration of
S.B. 38 SD2 HD1
RELATING TO HOUSING.

Chair Tarnas, Vice Chair Poepoe, and members of the Committee.

HHFDC **supports** SB 38 SD2 HD1, which prohibits the legislative body of a county from making imposing stricter conditions than the Hawaii Housing Finance and Development Corporation (HHFDC), stricter area median income requirements, or a reduction in fee waivers to housing development proposals that would increase the cost of the project.

Projects developed under 201H-38 must be primarily affordable and conditions of approval and exactions often add significant cost to developments which may make them infeasible. This bill will help to ensure the financial feasibility of projects.

For clarity, we suggest that the language being added to section 201H-38(a)(1)(c)(i) be rephrased as follows:

"provided that the legislative body shall not impose stricter conditions, stricter median income requirements, or reduce fee waivers that will increase the cost of the project than those approved by the Hawaii housing finance and development corporation."

Thank you for the opportunity to testify on this bill.

DEPARTMENT OF PLANNING AND PERMITTING
KA 'OIHANA HO'OLĀLĀ A ME NĀ PALAPALA 'AE
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041 • WEBSITE: honolulu.gov/dpp

RICK BLANGIARDI
MAYOR
MEJA



DAWN TAKEUCHI APUNA
DIRECTOR
PO'O

BRYAN GALLAGHER, P.E.
DEPUTY DIRECTOR
HOPE PO'O

REGINA MALEPEAI
2ND DEPUTY DIRECTOR
HOPE PO'O KUALUA

April 2, 2025

The Honorable David A. Tarnas, Chair
and Members of the Committee on Judiciary & Hawaiian Affairs
Hawaii'i House of Representatives
Hawaii'i State Capitol
415 South Beretania Street
Honolulu, Hawaii'i 96813

**Subject: Senate Bill 38 SD 2, HD 1
Relating to Housing**

Dear Chair Tarnas and Committee Members:

The Department of Planning and Permitting (DPP) **opposes** House Bill No. 38 SD 2, HD 1, which prohibits the legislative body of a county from imposing stricter conditions than the Hawaii'i Housing Finance and Development Corporation (HHFDC), stricter area median income requirements, or a reduction in fee waivers that would increase the cost of the project.

While the City supports policies that will stimulate affordable housing production, prohibiting the county legislative body from imposing necessary conditions negates the quality of their review and places the HHFDC as a higher authority than the legislative body. In effect, if the legislative body disagrees with the HHFDC's recommendation, rather than finding a compromise to balance issues that arise during the council's public process, they would face a de facto up or down vote on each project. The HHFDC does not hold a public hearing for 201H projects, so it makes a recommendation based on information from the applicant and often other public agencies. During the public process of the county council meetings, additional information regularly surfaces. Without the tools to address those issues or mitigate unforeseen impacts, the council may have to deny an otherwise quality project.

The HHFDC has a set of policy goals and objectives that guide their review and recommendation. The legislative body has a broader set of policy reviews and goals about which the HHFDC may not be aware. We question the reasoning behind placing

The Honorable David A. Tarnas, Chair
and Members of the Committee on Judiciary & Hawaiian Affairs
Hawai'i House of Representatives
Senate Bill No. 38, SD 2, HD 1
April 2, 2025
Page 2

the analysis of one State agency over the elected body who necessarily has a broader view of the goals, objectives, and development plans for their county.

Regarding fee waivers, we question whether the HHFDC has jurisdiction to determine whether certain fee waivers are available to a project. If it recommends a fee waiver that is not legally supportable, if it makes a mistake in its recommendation, or even if it changes its position after transmitting the recommendation, the legislative body may need to deny a project rather than finding a solution during their review process. Additionally, as written, the legislation does not explain the procedure if an applicant chooses to be processed by the planning department of the county in which the project is proposed. In effect, it appears HHFDC would process all 201H applications going forward.

As a final note, it may help you to know that for one 201H project, an *applicant* requested that the Honolulu City Council impose a condition to change the project in a way that allayed community concerns. The change was not a recommended condition of approval, but the applicant was able to move forward with the support of both the Council and the community. This was a win-win solution that would not be available if the Bill passes in its current form.

To this end, we respectfully oppose Senate Bill No. 38, SD 2, HD 1, and request that it not move forward.

Thank you for the opportunity to testify.

Very truly yours,



Dawn Takeuchi Apuna
Director



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
530 S. KING ST. STE. 202, HONOLULU, HI 96813

ESTHER KIA'ĀINA
COUNCILMEMBER,
HONOLULU CITY COUNCIL, DISTRICT III
HOPE LUNA HO'OMALU
TELEPHONE: (808) 768-5003
EMAIL: ekiaaina@honolulu.gov
<https://www.honolulu.citycouncil.org/district-3-kiaaina>

April 1, 2025

Aloha Chair Tarnas, Vice-Chair Poepoe, and members of the House Committee on Judiciary and Hawaiian Affairs:

I am writing to express my strong opposition to **SB38, SD2, HD1**, which would stipulate that when reviewing affordable housing projects under Section 201H-38, HRS, county legislative bodies are prohibited from imposing stricter conditions than the Hawaii Housing Finance and Development Corporation (HHFDC), stricter area median income requirements, or a reduction in fee waivers that will increase the cost of a project.

The 201H program provides significant regulatory and financial relief for developers that meet affordability targets and plays an important role in addressing our affordable housing needs. However, if passed, this measure would undermine the important role that the counties play to ensure responsible and safe development, eliminate the value of public input, tie the hands of counties that choose to prioritize affordability that meet the needs of their communities, and may ultimately result in disapproval of or delays in the approval of 201H housing projects.

In order for the 201H program to be successful, HHFDC and the counties must be able to effectively exercise their respective responsibilities. HHFDC is charged with overseeing affordable housing financing and development across Hawai'i, however it does not have experience or expertise in implementing land use, zoning, planning, and construction standards in the various counties. This kuleana is entrusted to the counties for good reason -- county planning staff have intimate knowledge of the specific circumstances and needs of an area. HHFDC cannot be expected to understand the landscape of challenges in each community.

This bill dismisses the firsthand understanding that local officials have developed through years of community engagement and careful assessment of our distinct regions and neighborhoods. By prohibiting counties from imposing conditions necessary to minimize impacts directly attributed to a project, SB38, SD2, HD1, would override our ability to implement tailored solutions that address unique local housing challenges, infrastructure limitations, and environmental concerns. More importantly it may also bind our hands to address critical design, public health and safety, and infrastructure concerns that may arise during the review process.

In addition to undermining the expertise of county officials, this measure would essentially eliminate the value of public input and substantially shift the balance of power to developers. Public participation in the development process is not an impediment to be overcome but a vital component of ensuring responsible development and sustainable communities. The bill effectively prohibits the counties from acting upon meaningful input from local communities, including conditions that mitigate adverse impacts and that could result in community and council support for a project.

The Honolulu City Council rarely disapproves of 201H projects that come before the Council. We value the role that these projects play in addressing the overwhelming need for housing in the City and County of Honolulu. Accordingly, although the Council may place additional conditions on a project to mitigate adverse impacts based upon input from the planning department or community stakeholders, we also work closely with developers to understand how conditions may affect a project to ensure an appropriate balance.

As the Chair of the Honolulu City Council's Zoning committee, I have seen how the incorporation of additional conditions result in a project that better meets the needs of our communities. By limiting the City Council to an up-or-down vote with no ability to modify the project to ensure that project impacts and community concerns are sufficiently addressed, it is likely that more 201H projects will be denied, which defeats the bill's primary purpose of creating more affordable housing.

Finally, this measure proposes to waive county fees without considering that it is the counties that are responsible for developing and maintaining the infrastructure to support these projects, and for delivering essential services to these projects. Further, it's uncertain that a state agency has the authority to dictate what county fees to waive.

I respectfully urge you to defer this measure and instead work collaboratively with the counties to find solutions that respect local authority, values public input, and meaningfully addresses our housing crisis.

Sincerely,

A handwritten signature in black ink, reading "Esther Kia'aina". The signature is fluid and cursive, with a long horizontal stroke at the end.

Esther Kia'aina
Councilmember, District 3
Chair of the Zoning Committee, City Council
City and County of Honolulu
Email: ekiaaina@honolulu.gov
Phone: (808) 768-5003

Hawai'i State Association of Counties (HSAC)

Counties of Kaua'i, Maui, Hawai'i, and City & County of Honolulu

Website: hawaiicounties.org | Email: hsac@hawaiicounties.org



Testimony of the Hawai'i State Association of Counties

S.B. No. 38 SD2 HD1 - Oppose

Relating to Housing

Committee on Housing

Wednesday, April 2, 2025, 2:00 p.m.

The Hawai'i State Association of Counties (HSAC) respectfully **OPPOSES SB38 SD2**, which would prohibit county legislative bodies from making modifications or imposing conditions on housing development proposals that would increase the cost of a project.

While HSAC recognizes the urgent need for affordable housing, this measure would unnecessarily restrict the ability of counties to provide essential oversight on developments that directly impact our communities. County councils are uniquely positioned to understand and address the specific needs and concerns of their residents, including infrastructure capacity, environmental sustainability, and public safety. This measure diminishes county authority and home rule, limiting our ability to ensure developments are responsibly planned and executed.

Key Concerns:

- **Loss of Local Oversight:**

County councils serve as the closest level of government to residents and are best equipped to evaluate project feasibility in alignment with community needs. Restricting their authority undermines local decision-making and responsiveness.

- **Potential Risks to Infrastructure & Public Safety:**

Housing developments must integrate with existing infrastructure, including roads, water supply, and emergency services. This measure would prevent councils from requiring critical project modifications, even if necessary for public health and safety.

- **Community Input & Accountability:**

The bill reduces opportunities for community feedback in the housing approval process. Meaningful public engagement is essential to ensuring projects meet the long-term needs of our diverse communities.

- **Home Rule & Legislative Balance:**

HSAC strongly supports home rule and the ability of counties to determine what is best for their jurisdictions. This bill erodes that authority and centralizes decision-making at the state level, setting a concerning precedent.

HSAC encourages the Committee to consider alternative approaches to SB38 SD2 HD1 that promote collaboration between state and county governments while upholding local governance. We support efforts to strengthen partnerships between counties and the state, fostering more effective, community-driven solutions to address our housing challenges.

April 2, 2025, 2 p.m.
Hawaii State Capitol
Conference Room 325 and Videoconference

To: House Committee on Judiciary & Hawaiian Affairs
Rep. David Tarnas, Chair
Rep. Mahina Poepoe, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: SB38 SD2 HD1 — RELATING TO HOUSING

Aloha Chair Tarnas, Vice Chair Poepoe and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [SB38 SD2 HD1](#), which would prohibit Hawaii's county councils from imposing certain requirements on 201H affordable housing projects approved by the Hawaii Housing Finance and Development Corp.

These requirements include stricter area median income requirements, reductions in the value of fee waivers that increase the costs of the projects, and conditions that are stricter than those imposed by HHFDC.

As we all know, Hawaii's housing shortage is already acute, and adding requirements that increase homebuilding costs is not going to help.

The Hawaii Department of Business, Economic Development and Tourism pointed out in a March 2024 report that Hawaii needs an average of 3,297 new housing units per year to satisfy demand between 2025 and 2035.¹

Researchers at The Economic Research Organization at the University of Hawai'i have identified that Hawaii's housing regulations are the strictest in the country and a key driver of Hawaii's housing crisis.² Relevant to

¹ "[Hawai'i Housing Demand: 2025-2035](#)," Research and Economic Analysis Division, Hawaii Department of Business, Economic Development and Tourism, March 2024, p. 2.

² Rachel Inafuku, Justin Tyndall and Carl Bonham, "[Measuring the Burden of Housing Regulation in Hawaii](#)," The Economic Research Organization at the University of Hawai'i, April 14, 2022, p. 5.

SB38, they found that Hawaii’s “local political pressure” on housing developments ranks in the top 5% of communities surveyed.³ UHERO research has also estimated that regulations comprise 58% of the cost of new condominium construction.⁴

In other words, if reducing the power of Hawaii’s county councils over state-approved affordable housing projects could help lower construction costs, then we should do it.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

³ [Ibid](#), p. 6.

⁴ Justin Tyndall and Emi Kim, “[Why are Condominiums so Expensive in Hawai’i?](#)” The Economic Research Organization at the University of Hawai’i, May 2024, p. 11.



Testimony of **Lahaina Strong**
Before the House Committee on
Judiciary and Hawaiian Affairs

In Opposition of Senate Bill No. 38 SD2 HD1
RELATING TO HOUSING

To Chair Tarnas, Vice Chair Poepoe, and the honorable members of the committee,

We are writing on behalf of Lahaina Strong, an organization deeply rooted in our community's resilience and advocacy. Originally formed in 2018 following the Hurricane Lane fire in Lahaina and revitalized after the devastating fires of August 8, 2023, Lahaina Strong has become the largest grassroots, Lahaina-based community organization, with over 35,000 supporters. Our mission is to amplify local voices and champion community-driven solutions, which are more critical than ever as we continue rebuilding and recovering.

Lāhainā Strong stands in **opposition to SB38 SD2 HD1**, which undermines the authority of county councils, removes local approval for state-funded housing projects, and limits meaningful community input. In places like Lahaina—where recovery, resources, and resilience are deeply tied to place—decisions must be rooted in local knowledge, not made from the top down.

The County Council is the government body closest to the people. Especially in disaster-impacted communities, its role is essential in making sure housing projects reflect real needs and uphold local standards. SB38 SD2 HD1 sets a dangerous precedent by removing county-level approval for housing projects that receive state funding, and restricting councils from imposing any conditions that would increase project costs—even when those conditions are related to public safety, deeper affordability, or infrastructure capacity.

While recent amendments removed the blanket ban on cost-related modifications, they still prohibit counties from requiring stronger affordability standards, reducing fee

waivers, or applying conditions more stringent than those set by HHFDC. This limits the tools counties need to ensure projects meet community needs—not just developer timelines.

Maui, and Lahaina specifically, face real challenges around water access, infrastructure strain, and fire resilience. Any policy that weakens county oversight puts these communities at further risk. Responsible, affordable housing development must include space for county-level adjustments, public dialogue, and culturally informed planning.

Lāhainā Strong urges you to **oppose SB38 SD2 HD1**. Strong local governance and home rule are essential to a just recovery—and to protecting the long-term well-being of our communities.

Mahalo for your attention to this vital matter and your dedication to safeguarding our community.

Sincerely,

Lāhainā Strong



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 325
Wednesday, April 2, 2025 AT 2:00 P.M.**

To The Honorable David A. Tarnas, Chair
The Honorable Mahina Poepoe, Vice Chair
Members of the Committee on Judiciary & Hawaiian Affairs

SUPPORT SB38 SD2 HD1 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS SB38 SD2 HD1** which prohibits the legislative body of a county from imposing stricter conditions than the Hawaii Housing Finance and Development Corporation, stricter area median income requirements, or a reduction in fee waivers to housing development proposals that would increase the cost of the project.

The Chamber notes that for decades, we have witnessed projects that initially met county and state requirements and appeared financially feasible. However, when these projects went before the county council for final approval, new conditions were often imposed. These modifications frequently led to increased costs, making the projects no longer financially viable. As a result, many housing developments were not built, and the housing that had been planned never materialized.

Developers are often unable to obtain accurate estimates for these last-minute conditions and cannot properly assess whether the changes fit within the overall project budget. Many of these conditions involve the development of critical infrastructure, which we believe should be the responsibility of the county and state. By the time developers reach the county council level, they already know what will work financially. Sudden changes during this process create significant challenges and, over the years, have led to a loss of potential housing.

Given the severe housing shortage in both the state and Maui County, we strongly support initiatives that promote, rather than hinder, the development of housing for our residents.

For these reasons we **SUPPORT SB38 SD2 HD1** and respectfully ask that it be passed.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Housing Hawai'i's Future
PO Box 3043
Honolulu, HI 96802-3043

April 2, 2025

TO: Chair Tarnas and members of the Judiciary & Hawaiian Affairs Committee
RE: SB 38 SD2 HD1 RELATING TO HOUSING.

Dear Chair Tarnas and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We support SB 38 SD2 HD1. As demonstrated in this present draft, the House Committee on Housing has taken the right approach, adding “guardrails” to properly balance the right of county councils to undertake dutiful review of 201H-38 projects while guaranteeing the financial feasibility of these same projects.¹

Let's not forget the impetus for this bill. Projects that seek 201H-38 approval supplement Hawai'i's inventory of workforce housing. However, history shows that when these projects become subject to county approval, their timelines and construction costs can increase due to 'not-in-by-backyard' (NIMBY) opposition.

Concessions extracted from county review processes can increase the cost of housing, stifling housing projects. Housing unaffordability—or the lack of more workforce housing—is the product of unnecessary risk, uncertainty, and delay to well-scrutinized developments.

We are grateful for your careful consideration of SB 38 SD2 HD1.

Thank you,

A stylized, handwritten signature of Lee Wang, consisting of a large, loopy 'L' and 'W'.

Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiisfuture.org

A stylized, handwritten signature of Perry Arrasmith, featuring a large, loopy 'P' and 'A'.

Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org

¹ See *House Standing Committee Report No. 1361*, March 18, 2025.
https://www.capitol.hawaii.gov/sessions/session2025/CommReports/SB38_HD1_HSCR1361_.pdf

SB-38-HD-1

Submitted on: 3/28/2025 4:08:02 PM

Testimony for JHA on 4/2/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Comments	Written Testimony Only

Comments:

I appreciate that the Committee on Housing's report acknowledged the need for quality review by the county legislative body in noting "that prohibiting a county legislative body from imposing necessary modifications to a project...can negate the quality of their review" and amended HD1 to read: "provided that the legislative body shall not impose stricter conditions than the [HHFDC]".

However, it's not clear to me what the full scope of the (existing) conditions are that HHFDC would be using as the baseline (for what the legislative body couldn't make more strict). HHFDC can use 201H-38 to exempt any zoning law; they could propose a 1000' tower with zero setbacks. Would it be considered "stricter" for the county legislative body to limit the height to 400' and require 10' setbacks? They could exempt all parking. Would it be considered "stricter" to require a handful of parking spaces?

Please consider adding a specific definition for the scope of "conditions" of HHFDC, so it's clear what would be deemed "stricter" than those defined conditions, and therefore prohibited by this bill.

Speaking of negating the quality of the legislative body's review, I don't think it's appropriate to have this clause: "or a reduction in fee waivers that will increase the cost of the project". Most 201H resolutions start with a request for a blanket waiver of every fee imaginable. If the fees were just some tariff or punitive action against developers then sure, please waive them all. But I'm told that, at least in Honolulu, fresh water and wastewater services need to be self-funded by their fees. For context, the initial Kuilei Place resolution, 22-298, requested \$4.6M in wastewater fee waivers and \$3M in BWS fee waivers, in addition to \$23M in park dedication fee waivers. The approved resolution, 22-298,CD1,FD1, modified these to be a \$1.6 wastewater fee waiver (with \$3M deferred), a \$3M deferral for BWS, and \$8M of in-lieu park dedication fee waiver. By deferring fees instead of blanket waivers, it ensures that our critical city services such as water and sewer are adequately funded. If these fees are too much for the developer to bear, please consider funding HHFDC so they can pay these fees to the counties for 201H projects.

Thank you for your consideration,
Seth Kamemoto