

STAND. COM. REP. NO. **3113**

Honolulu, Hawaii

APR 10 2026

RE: H.B. No. 1741
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1741, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to address the State's housing shortage.

Specifically, this measure:

- (1) Prohibits a county from adopting, amending, or enforcing an inclusionary mandate for residential or mixed-use development unless the county's council has first approved, by ordinance or resolution, a needs assessment study that meets certain requirements;
- (2) Restricts a county from adopting, amending, or enforcing an inclusionary mandate on housing projects unless certain conditions are met, and establishing different conditions for:
 - (A) Residential or mixed-use residential projects that do not receive a discretionary increase in density, floor area ratio, or height and are not luxury residential projects; and



- (B) Luxury residential projects or residential projects that receive a discretionary increase in maximum allowable density, floor area ratio, or height;
- (3) Provides that any inclusionary mandate enacted before the measure's effective date is unenforceable until a needs assessment study is conducted;
- (4) Requires counties to provide a clear process by which an applicant may contest the application of an inclusionary mandate or any findings under the measure; and
- (5) Establishes certain exemptions from the requirements of the measure.

Your Committee received written comments in support of this measure from the Office of Hawaiian Affairs, Grassroot Institute of Hawaii, Housing Hawai'i's Future, Avalon Development Company, and Hawai'i YIMBY.

Your Committee received written comments in opposition to this measure from LIMBY Hawai'i and UNITE HERE Local 5.

Your Committee received written comments on this measure from the Department of Housing and Land Management of the City and County of Honolulu.

Your Committee finds that the United States Supreme Court held in *Sheetz v. County of El Dorado*, 144 S.Ct. 893 (2024), that legislatively imposed land use permit conditions, including impact fees, must satisfy a two-part test requiring essential nexus and rough proportionality. Your Committee further finds that, because inclusionary mandates operate as permit-linked exactions, they are subject to this two-part test. This measure requires counties to demonstrate that this two-part test is met before adopting, amending, or enforcing an inclusionary mandate for certain residential and mixed-use residential projects.

Your Committee has amended this measure by:

- (1) Amending the required elements of a needs assessment study by:



- (A) Clarifying that the analysis of market-rate prototypes commonly produced in the county may include single-family, duplex, townhome, condominium, and apartment formats;
 - (B) Requiring the study to evaluate various compliance options, instead of evaluating each compliance option; and
 - (C) Requiring the study to evaluate the financial feasibility and general economic impacts of a proposed inclusionary mandate to ensure it supports, and does not suppress, overall housing production;
- (2) Removing language that would require a needs assessment study to state principal assumptions for prices or rents, costs, financing, and target returns for each representative market-rate prototype, and show feasibility and market-rate prices or rents with and without the proposed inclusionary mandate;
 - (3) Removing language that would require a county, before adopting, amending, or enforcing certain inclusionary mandates, to either obtain a needs assessment study that finds that the requirement will not increase the price of market-rate dwelling units nor suppress feasible production for the applicable prototypes, or adopt incentives that fully offset all compliance costs;
 - (4) Deleting specific criteria applicable only to luxury residential projects or projects that receive certain discretionary value increases, and making those projects subject to the same requirements as other housing projects;
 - (5) Expressly exempting from the measure codified voluntary opt-in incentive programs established by county ordinances;
 - (6) Exempting from the application of the measure, minor amendments to county ordinances, including amendments

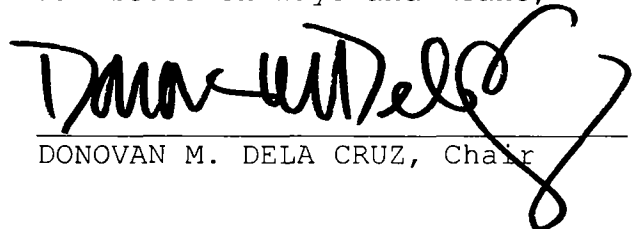


that repeal ordinances, reduce regulatory burdens, or make changes solely for administrative purposes;

- (7) Establishing a delayed implementation date of July 1, 2028;
- (8) Removing language that defined terms that are no longer used in the measure; and
- (9) Changing the measure's effective date to July 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1741, H.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1741, H.D. 2, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

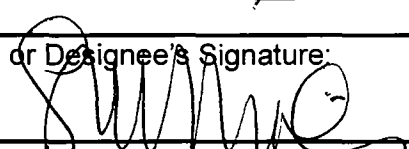


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB1741, HD2	Committee Referral: EIG/HOU, WAM	Date: 4/9/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
DECOITE, Lynn	X			
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
RICHARDS, III, Herbert M. "Tim"	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	13	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes