



Hawai'i YIMBY

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February 4, 2026

House Committee on Housing

Hawai'i State Capitol

Honolulu, HI 96813

RE: SUPPORT for HB 1741 - RELATING TO HOUSING

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of HB 1741**, which supports a more careful and evidence-based approach to affordable housing policy at a time when Hawai'i cannot afford to slow overall homebuilding. The bill does not eliminate affordable housing requirements. Instead, it ensures that these requirements are designed and applied in ways that do not unintentionally reduce the total number of homes produced.

Research shows that inclusionary zoning can help produce income-restricted units, but only when requirements and incentives are balanced correctly. When mandates are set without clear data on feasibility or market impacts, they can suppress new construction, raise prices, or shift development toward fewer and more expensive homes. That outcome makes affordability worse, not better.

HB 1741 responds to this challenge by requiring counties to rely on studies before imposing or enforcing inclusionary housing mandates. These studies must show how requirements affect feasibility, prices, and production across common housing types. By doing so, the bill helps ensure that affordable housing policies do not result in a net loss of housing stock.

The bill also recognizes that not all projects are the same. It protects non-luxury housing that adds meaningful supply, while still allowing proportionate affordability requirements for luxury projects or developments that receive discretionary value increases.



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Supporting HB 1741 means committing to affordable housing policies that are grounded in data rather than assumptions. It reflects the understanding that increasing affordability and increasing supply are not competing goals. When policies are carefully calibrated, they can do both. HB 1741 is a practical step toward housing solutions that expand opportunity without reducing the homes Hawai'i urgently needs.

Hawai'i YIMBY (*Yes In My Backyard*) is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We ask your support for this bill. Thank you for the opportunity to testify.

Sincerely,

Damien Waikoloa

Chapter Lead, Hawai'i YIMBY

Edgardo Díaz Vega

Chapter Lead, Hawai'i YIMBY

Huey Kwik

Chapter Lead, Hawai'i YIMBY



Feb. 4, 2026, 9 a.m.
Hawaii State Capitol
Conference Room 430and Videoconference

To: House Committee on Housing
Rep. Luke Evslin, Chair
Rep. Tyson Miyake, Vice Chair

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

RE: TESTIMONY IN SUPPORT OF HB1741 — RELATING TO HOUSING

Aloha chair, vice chair and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [HB1741](#), which would treat county inclusionary zoning mandates as impact fees subject to nexus and rough proportionality legal tests.

Practically, this measure would require the counties to conduct a study analyzing the costs of requiring that housing projects include a certain amount of affordable housing as a condition of permit approval before imposing such a requirement.

And if the study found that the requirement would increase the cost of market-rate housing, that county would not be allowed to enforce inclusionary zoning unless it provided incentives to offset all of the costs associated with inclusionary zoning.

This bill is a smart approach to dealing with affordable housing mandates that have been shown to stifle homebuilding.¹

¹ Tom Means, Edward Stringham and Edward Lopez, "[Below-Market Housing Mandates as Takings: Measuring their Impact](#)," The Independence Institute, November 2007; Carl Bohnam, Kimberly Burnett, Andrew Kato, et al., "[Inclusionary Zoning: Implications for Oahu's Housing Market](#)," The Economic Research Organization at the University of Hawai'i, Feb. 12, 2010; Sanford Ikeda and Emily Washington, "[How land-use regulation undermines affordable housing](#)," Mercatus Research, November 2015; Arjuna Heim, "[We need to talk about inclusionary zoning](#)," Hawaii Appleseed Center for Law & Economic Justice, Aug. 13, 2025.

These mandates force homebuilders to raise the prices of market-rate homes to make up for the so-called affordable homes, and that becomes even more problematic, depending on the percentage of homes that must be so-called affordable.

Think of it this way: If a car manufacturer were required to sell three out of every 10 cars at a loss, the company would make up for those losses by increasing prices on the seven cars they are allowed to sell for profit.

Customers will respond to the higher prices by buying fewer cars, which will prompt the manufacturer to produce fewer cars.

In a real sense, this is what is happening to Hawaii's housing market: Affordable housing mandates are reducing the amount of housing that gets built.

Research supports this. Carl Bonham at the Economic Research Organization at the University of Hawai'i pointed out in 2013 that inclusionary zoning "reduces incentives for developers to produce all forms of housing, and will reduce the overall supply of housing units and increase the price of housing."²

And a 2024 study of a voluntary inclusionary zoning program in Los Angeles found that "increasing IZ requirements may not produce substantially more below market-rate units, and is very likely to reduce future housing production." The study concluded that land-use reform would be a more effective way to increase the housing supply.³

Grassroot applauds HB1741 for recognizing that inclusionary zoning doesn't work, and we would urge the Legislature to approve this bill.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

² Carl Bonham, "[The Unintended Consequences of Affordable Housing Policy](#)," The Economic Research Organization at the University of Hawai'i, Sept. 8, 2013.

³ Shane Phillips, "[Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles: Tradeoffs and Policy Implications](#)," Turner Center for Housing Innovation, April 2024.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB1741 – Relating Housing
House Committee on Housing
Wednesday, February 4, 2026 at 9:00AM Conf. Rm. 430 and via Videoconference

Aloha Chair Evslin, Vice Chair Miyake, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB 1741**, relating to housing which would classify county affordable housing mandates as a form of extraction and impact fee, while allowing exemptions for luxury development. It also standardizes requirements for a needs assessment study and establishes a criteria that allows for extractions on luxury and discretionary projects. HB1741 recognizes that when a county's inclusionary zoning (IZ) or affordable housing mandate functions as a de facto exaction, and must be grounded in clear feasibility analysis so that well-intentioned requirements do not unintentionally chill overall housing production.

Each of the four counties has an IZ requirement and Kauai, Honolulu, and Hawaii all commissioned third-party feasibility work to understand the impacts of these policies on development. Both Kauai and Hawaii counties undertook feasibility or impact studies after their IZ programs were already in place, in response to concerns that existing requirements might be suppressing housing production. This led to Kauai strategically exempting town core areas from IZ requirements.¹

Honolulu, by contrast, commissioned two studies in 2016 in advance of adopting its island-wide Affordable Housing Requirements (AHR): a residential nexus analysis to quantify how new market-rate development creates demand for affordable units, and a financial feasibility analysis to test whether different prototypes could realistically support the proposed AHR formulas.

Honolulu's "Affordable Housing Requirement Financial Analysis" shows that, even under relatively favorable assumptions, only one of the modeled condominium prototypes—the high-rise with community benefits bonus in Ala Moana—is currently feasible, and that this prototype become infeasible if the AHR is satisfied through payment of the in-lieu fee rather than an on- or off-site construction. The report further concludes that the other condominium prototypes remain infeasible under the AHR even with the City's financial incentives, and the payment of the in-lieu fee consistently produces the lowest returns. For apartment prototypes, the findings are more severe: “none of the apartment prototypes are currently feasible without subsidy,” and therefore none can support the AHR “with or without financial incentives.”

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<https://www.kauai.gov/files/assets/public/v/1/county-council/documents/committee-meetings/minutes/2020-08-19-special-hir-minutes.pdf>



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On condominium feasibility: *“Only the high-rise with CB bonus prototype in Ala Moana is currently feasible...this prototype remains feasible if the AHR is met with on-site or off-site construction, but becomes infeasible if the in-lieu fee is paid...each of the infeasible prototypes generates lower returns under the AHR, with payment of the in-lieu fee providing the lowest return. While the financial incentives improve feasibility for all priorities, they are not sufficient to make any of the previously infeasible prototypes feasible.”* (pg. 12)

On apartment feasibility: *“Because none of the apartment prototypes are currently feasible without subsidy, none are able to support the AHR, with or without financial incentives”* (pg. 12)

Figure 15: Return-on-cost for Condominium Prototypes, assuming an 18 Percent Threshold for Financial Feasibility

Financial Incentives	Low-rise, Kapolei	Low-rise, Pearlridge	Mid-rise, Kapalama	Mid-rise + CB Bonus, Kapalama	High-rise, Ala Moana	High-rise + CB Bonus, Ala Moana
Baseline - No Affordable Housing Requirement						
Before Incentives	-13%	12%	-7%	5%	1%	25%
On-Site Affordable Housing Requirement						
Before Incentives	-16%	7%	-11%	0%	0%	20%
With Incentives	-15%	9%	-9%	2%	3%	24%
Off-Site Affordable Housing Requirement						
Before Incentives	-16%	7%	-11%	0%	0%	20%
With Incentives	-15%	9%	-9%	2%	3%	24%
In-lieu Fee						
Before Incentives	-20%	2%	-13%	-4%	-4%	15%
With Incentives	-20%	2%	-13%	-4%	-4%	15%

Figure 16: Return on Yield for Apartment Prototypes, assuming a 7.5 Percent Threshold for Financial Feasibility

Financial Incentives	Low-rise, Kapolei	Low-rise, Pearlridge	Mid-rise, Kapalama	Mid-rise + CB Bonus, Kapalama	High-rise, Ala Moana	High-rise + CB Bonus, Ala Moana
Baseline						
Before Incentives	5.7%	6.2%	4.6%	5.3%	not analyzed	
On-Site Affordable Housing Requirement						
Before Incentives	5.4%	5.8%	4.3%	4.8%	not analyzed	
With Incentives	5.5%	5.9%	4.3%	4.9%		
Off-Site Affordable Housing Requirement						
Before Incentives	5.4%	5.9%	4.3%	4.9%	not analyzed	
With Incentives	5.5%	5.9%	4.4%	4.9%		
In-lieu Fee						
Before Incentives	5.2%	5.6%	4.3%	4.8%	not analyzed	
With Incentives	5.2%	5.6%	4.3%	4.8%		

Source: Strategic Economics, 2016

Despite the pre-resolution analysis Honolulu City Council went forward with an island wide IZ requirement, the AHR which is activated at a 10 unit threshold, meaning that small and mid-sized projects across the island are now subject to an IZ mandate the City's own consultant found many typical prototypes cannot viably absorb the costs. HB1741 would have created a clear statewide standard to prevent this situation by treating county IZ and affordable housing programs as development exaction that must be structured so as not to render representative prototypes infeasible. Had such a standard been in place, Honolulu's AHR would have been constrained or recalibrated in light of its 2016 nexus and financial analyses, and future county IZ



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updates—like Hawaii County’s ongoing Chapter 11 feasibility work— would be guided by a consistent framework that protects both affordability and overall housing production.

For these reasons we urge the committee to pass HB1741 and to reaffirm that affordable housing policy must be grounded in rigorous feasibility analysis that protects both affordability and overall housing production.

Mahalo for the opportunity to testify.



TESTIMONY IN STRONG SUPPORT OF HB1741, RELATING TO HOUSING

HOUSE COMMITTEE ON HOUSING

February 4, 2026

To the Honorable Chair and Members of the Committee:

The Democratic Party of Hawai'i **strongly supports HB1741**. This measure advances a housing strategy that prioritizes **stable, accessible communities** while correcting policies that have unintentionally constrained housing supply and increased costs for Hawaii residents.

To create communities that are truly affordable and sustainable, Hawaii must increase **transparent, public investment in affordable and workforce housing preservation and development**, rather than relying on indirect and opaque mandates embedded in private development. This bill appropriately recognizes that inclusionary housing requirements function as development exactions and therefore must meet constitutional standards of clear causation and proportionality. By requiring rigorous needs assessment and feasibility analysis, the measure ensures that affordability policies are **evidence-based, legally sound, and economically realistic**.

Importantly, the bill helps protect the production of **by-right, non-luxury housing**, which is essential to stabilizing rents and prices through increased supply. Research consistently shows that adding homes—particularly multifamily and missing-middle housing in urban areas—supports affordability through filtering and reduces displacement pressures. Policies that suppress this production undermine community stability and exacerbate the very affordability challenges they seek to address.

By shifting affordability efforts toward transparent public action—rather than hidden costs passed on to homebuyers and renters—this bill supports a more equitable and sustainable housing system. It also allows counties to continue imposing proportionate requirements on luxury development and projects receiving discretionary entitlements, where value is clearly created and can be responsibly shared.

For these reasons, this measure represents a necessary and thoughtful step toward expanding housing supply, protecting residents, and building stable, accessible communities across Hawaii.

Mahalo nui loa for the opportunity to testify in strong support of HB1741. Should you have any questions or require further information, please contact the Democratic Party of Hawai'i at legislation@hawaiidemocrats.org.

