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ECONOMIC DEVELOPMENT & TOURISM**
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December 08, 2025

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine K. Nakamura,
Speaker and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Report to the Legislature pursuant to Act 305, Session Laws of Hawaii 2022. Act 305 establishes a statewide working group on affordable housing and requires an annual report.

In accordance with Section 93-16, Hawai'i Revised Statutes, I am also informing you that the report may be viewed electronically at:

<http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

Sincerely,

James Kunane Tokioka
DBEDT Director

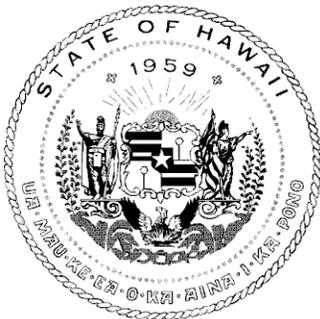
Enclosure

c: Legislative Reference Bureau

Report to the 2026 Hawaii State Legislature:

Pursuant to Act 305, Session Laws of Hawaii, Relating to Housing.

Prepared by:
Hawaii Housing Finance and Development Corporation
Department of Business, Economic Development & Tourism



December 2025

Introduction

Act 305, Session Laws of Hawaii 2022, also referred to as the Yes In My Back Yard (YIMBY) Act, established a working group on affordable housing co-chaired by the executive directors of the Hawaii Housing Finance and Development Corporation (HHFDC) and the Hawaii Public Housing Authority (HPHA). The YIMBY Working Group shall meet annually to:

1. Foster increased inter-agency coordination on housing and zoning issues.
2. Raise public awareness of the ongoing efforts by the State and counties to reduce barriers to affordable housing development.
3. Propose legislation.

Summary of Activities

Two YIMBY Working Group meetings were held in 2025.

First YIMBY Meeting

On March 4, 2025, the first meeting included two guest speakers who presented their perspectives on how to keep the local housing market affordable.

The first speaker was Mr. Peter Savio, President and Chief Executive Officer at Savio Group of Companies. He is a real estate developer and investor with over 60 years of experience in real estate and land development, having developed over 6,000 affordable units in Hawaii, all without any public assistance.

Mr. Savio explained that to have affordable housing in Hawaii, the focus should be on regulating demand rather than increasing supply, as increasing supply without controlling demand will not solve the affordability issue. He discussed the need to create two separate housing markets: an international market and a local market. The international market will remain unchanged under the current system, while the local market will be isolated from outside buyers and tied to local wages. Mr. Savio raised the following points:

1. *International Market:* Mr. Savio emphasized that the international market, which includes high-value properties, will remain unchanged to continue attracting investment and development because this market is crucial for the local economy.
2. *Local Market:* The local market will be distinct and isolated from outside buyers. It will be tied to local wages to ensure affordability for residents. This market will have price and deed restrictions as control mechanisms to maintain affordability over time.
3. *Price Restrictions:* In the local market, price appreciation will be tied to wage increases. This means that if wages increase by a certain percentage, property prices will increase by the same percentage, ensuring that housing remains affordable relative to local incomes.
4. *Deed Restrictions:* Mr. Savio mentioned that the local market properties will have deed restrictions that will govern resale conditions and price caps, ensuring that these properties remain affordable for future generations.

Mr. Savio indicated that housing units would go into an affordable housing trust with deed restrictions on resale and price, ensuring they remain affordable and tied to local wages.

1. *Trust Structure:* Mr. Savio described that the affordable housing units will be placed into a trust, which will manage the properties and enforce deed restrictions. This trust will ensure that the properties remain affordable in perpetuity.
2. *Deed Restrictions:* The deed restrictions will include rules on resale prices and conditions, ensuring that the properties cannot be sold at market rates and will remain affordable for local residents.
3. *Price Tied to Wages:* Mr. Savio emphasized that the prices of the properties in the trust will be tied to local wages. This means that as wages increase, property prices can increase proportionally, maintaining affordability relative to income levels.
4. *Long-Term Affordability:* The trust will ensure that the properties remain affordable forever, preventing them from being influenced by market fluctuations and outside investment pressures.
5. *Public Trust Role:* Mr. Savio highlighted the role of the public trust in managing and developing affordable housing, advocating for housing policies, and ensuring that housing remains a top priority for the community.

Mr. Savio emphasized that the greatest creator of wealth in real estate is the constant monthly payment, not appreciation. He highlighted the long-term financial benefits of homeownership over renting.

1. *Wealth Creation:* Mr. Savio explained that the primary benefit of homeownership is the ability to lock in a constant monthly payment, which over time leads to significant wealth accumulation as the mortgage is paid off and the homeowner owns the property outright.
2. *Comparison to Renting:* Mr. Savio contrasted homeownership with renting, noting that renters face constantly increasing payments that erode their savings, whereas homeowners benefit from fixed payments and eventual full ownership of their property.
3. *Investment Potential:* Mr. Savio mentioned that homeowners who manage their finances well can use their pay raises and savings to invest in other assets, start businesses, or fund education, further increasing their wealth beyond property appreciation.
4. *Financial Stability:* Homeownership provides financial stability as homeowners are not subject to market rent increases, allowing them to save and invest their money more effectively over time.

Mr. Savio mentioned Singapore's success in building a world-class economy by focusing on homeownership and not allowing outside market influence, contrasting it with Hawaii's struggles.

1. *Singapore's Approach:* Mr. Savio highlighted that Singapore successfully built a world-class economy by focusing on homeownership and preventing outside market influence, which led to significant wealth creation, high-paying jobs, and a strong educational system.
2. *Hawaii's Struggles:* Mr. Savio contrasted Singapore's success with Hawaii's struggles, noting that while Singapore followed through on their housing plans, Hawaii's market has become distorted by outside investment, leading to affordability issues.

Mr. Savio suggested that the local market should be regulated through a public trust, with properties being residential or apartment owner-occupant only, to prevent investor influence.

1. *Regulation Mechanism:* Mr. Savio proposed that the local market be regulated through a public trust, which would oversee the properties and ensure they are only available to local residents, preventing outside investors from driving up prices.
2. *Owner-Occupant Only:* Mr. Savio suggested changing zoning laws to ensure that properties in the local market are designated as residential owner-occupant only or apartment owner-occupant only, eliminating investor purchases and speculation.
3. *Public Trust Role:* The public trust would be responsible for managing the properties, enforcing deed restrictions, and ensuring that the housing remains affordable and accessible to local residents.
4. *Legislative Action:* Mr. Savio emphasized the need for legislative action to declare a housing crisis and establish public trust, which would have the authority to regulate the local housing market effectively.
5. *Tenant-Owned Projects:* Mr. Savio also mentioned that rental projects in the local market should be tenant-owned, providing the benefits of ownership without appreciation, similar to a co-op model.

Mr. Savio proposed that rental projects in the local market should be tenant-owned, providing the benefits of ownership without appreciation, similar to a co-op model.

1. *Co-op Model:* Mr. Savio explained that tenant-owned rental projects would operate similarly to co-ops, where tenants have ownership stakes in the property but do not benefit from appreciation, ensuring long-term affordability.
2. *Ownership Benefits:* Tenants in these projects would enjoy the benefits of ownership, such as stability and control over their living environment, without the financial burden of market-driven rent increases.

Mr. Savio emphasized the importance of a public trust in holding, developing, and advocating for affordable housing, ensuring that housing remains a top priority.

1. *Trust Responsibilities:* Mr. Savio outlined the responsibilities of the public trust, which include holding and managing affordable housing properties, developing new housing projects, and advocating for housing policies that benefit local residents.
2. *Advocacy:* The public trust would serve as an advocate for affordable housing, ensuring that housing remains a top priority for policymakers and the community, and addressing any unintended consequences of housing policies.
3. *Development Role:* The trust would be actively involved in developing new affordable housing units, structuring programs, and ensuring that these units remain affordable and accessible to local residents.
4. *Centralized Approach:* Mr. Savio emphasized the need for a centralized approach to housing, where the public trust would coordinate efforts across various programs and stakeholders to achieve greater efficiency and impact.

5. *Community Involvement*: The public trust would engage with community groups and stakeholders to gather input, share knowledge, and ensure that housing policies and programs are aligned with the needs of local residents.

The second speaker was Joshua Wisch, President and Executive Director at Holomua Collective. Mr. Wisch introduced the Kamaʻaina Homes program, which aims to create a parallel housing market for local residents by providing government funding in exchange for deed restrictions that ensure homes remain affordable for local workers. He explained that the Kamaʻaina Homes program is voluntary, income-blind, and allows participants to use the funding for various purposes, such as down payments, renovations, or cesspool conversions.

Mr. Wisch highlighted the importance of supporting HB739 and HB740, both introduced in the 2025 legislative session, which aim to create affordable housing for local residents through the Kamaʻaina Homes program and ADU financing. Neither HB739 nor HB740 passed in the 2025 legislative session.

Mr. Wisch shared data from Holomua’s affordability survey, highlighting the urgent need for affordable housing solutions. The survey showed that a significant percentage of local residents are considering moving to less expensive states.

Second YIMBY Meeting

On November 6, 2025, the second meeting was held and included discussions on the following topics.

HRS 6E and Recent Law Changes. SHPD provided an overview of the federal and state historic preservation review processes, recent legislative changes, and their implications for housing projects. Highlights of the presentation include:

1. *Historic Review Processes.* SHPD explained the differences between the NHPA Section 106 and HRS 6E historic review processes, clarifying that neither process mandates preservation but requires project proponents to consider and mitigate impacts on historic properties through consultation with relevant agencies.
2. *Historic Preservation Related Programs.* SHPD described additional programs, such as the Hawaii National Register of Historic Places, the federal historic preservation tax incentive program, and the certified local government program, highlighting their roles in designating properties, providing tax credits, and offering grants for preservation activities.
3. *Review Methodology.* SHPD outlined the stepwise methodology for HRS 6E review, including project area identification, scope of work, historic property identification, assessment of effects, and mitigation.
4. *Recent Legislative Changes.* SHPD detailed four new laws enacted in 2025: HB 830 (third-party consultants for affordable housing reviews), SB15 (aligning state and federal definitions of historic property and creating exemptions), SB79 (sensitivity thresholds for affordable housing projects), and SB1263 (defining complete submittals and streamlining review periods), explaining their impact on review processes, and ongoing challenges with compliance and enforcement.
5. *Challenges and Programmatic Approaches.* SHPD discussed persistent challenges such as incomplete submittals, timeliness of responses, and negotiation of mitigation, and described efforts to develop programmatic agreements with agencies to streamline routine maintenance and repair project reviews, as well as initiatives to build sensitivity maps and provide training.

Housing Delegation Trip. Travel participants (Senate Housing Chair, HHFDC, DHLM, Hawaii County) recapped the housing delegation trip to Washington DC and Vancouver, Canada, by sharing insights on innovative financing models, accelerated policy development, and lessons learned from high-density and mixed-income housing projects.

1. *Innovative Financing Models.* HHFDC and DHLM described Montgomery County's use of bonds backed by property tax revenues to finance mixed-income housing, with Honolulu considering leveraging its affordable housing fund for similar public-private partnership developments.
2. *Accelerated Policy Development.* HHFDC highlighted Vancouver's program, which brings all stakeholders together from project conception to permitting, reducing project timelines from three years to one, and suggested piloting this collaborative approach in Hawaii for critical projects.
3. *Mixed-Income Housing and Public Ownership.* DHLM discussed the Montgomery model's focus on public ownership of mixed-income housing assets, shifting from buying affordability to building publicly controlled assets that appreciate over time and serve as a public good.
4. *Building Booms and External Demand.* Senate Chair analyzed building booms in Virginia and Vancouver, noting the prevalence of high-density development near transit stations and the role of external demand, with implications for Hawaii's housing market and the need for political strategies to balance local and external interests.
5. *Policy Implications and Local Adaptation.* Participants reflected on the need to adapt international best practices to Hawaii's context, emphasizing the importance of collaboration, stakeholder engagement, and the development of master plans that address diverse concerns and create large-scale financing solutions for local housing needs.

State-County Cooperative Efforts to Develop Affordable Housing. Kauai County discussed the challenges they faced in a cooperative effort to develop affordable single-family housing, detailing regulatory hurdles, legislative attempts, and lessons learned from the process, with input from other participants on possible solutions. Highlights of the discussion include:

1. *Land Conveyance.* Kauai County described their decade-long process to develop vacant State lands for affordable housing, in particular, how this seemingly simple process encountered legal and regulatory barriers related to executive orders and property encumbrances.
2. *Regulatory and Legislative Challenges.* Kauai County recounted the need for repeated approvals from the Board of Land and Natural Resources for each project encumbrance, the attempt at a legislative fix failed due to opposition and social media controversy, and the subsequent inability to proceed with development.
3. *Collaboration and Communication Issues.* Kauai County highlighted the importance of early and thorough collaboration with stakeholders such as OHA, noting that insufficient communication led to unexpected opposition and project delays.
4. *Potential Solutions and Next Steps.* HHFDC suggested exploring alternative solutions such as transferring lands to HHFDC, which may be exempt from certain public land definitions, and offered to work with legislative partners to reintroduce bills or find administrative fixes to enable development.

City Department of Housing and Land Management Reorganization. DHLM presented the reorganization of their department, outlining new strategic priorities, expanded government capacity, and a focus on TOD and innovative financing structures.

1. *Department Structure and Capacity.* DHLM explained the creation of the new department with divisions for housing development, housing finance, housing policy, property and asset management, and land transactions, which significantly increases the City's capacity to address housing issues.
2. *Strategic Housing Plan Priorities.* The DHLM strategic plan includes establishing the new department, partnering in public-private development, focusing on TOD, evaluating new financing structures, and refining housing policies and processes.
3. *TOD Initiatives.* DHLM described the identification of ten properties for expedited development, with eight requests for qualifications already issued, and a goal of creating 2,500 housing units through public-private partnerships.
4. *Policy Development and Stakeholder Engagement.* DHLM emphasized the importance of collaborative policy-making, data-driven decisions, and building public trust, aiming to address longstanding housing challenges through inclusive engagement and transparent articulation of trade-offs.
5. *Market Insulation and Affordability Mechanisms.* DHLM discussed ongoing efforts to identify ways to insulate the local housing market from external influences, including exploring the "Montgomery Model," which finances and develops publicly owned mixed-income housing by leveraging tax-exempt bonds to capitalize a revolving loan fund that turns over every 3 to 5 years.

Pro Housing Grant. OPSD provided an update on their \$6.6 million Pro Housing grant award, detailing funded projects, infrastructure financing studies, and timelines for implementation.

1. *Grant Award and Timeline.* OPSD outlined the timeline from submitting the grant application in October 2023, announcement of the award in June 2024, and approval of the action plan in July 2025.
2. *Funded Projects and Objectives.* To study and found it feasible to create a finance mechanism for infrastructure, to study and found it feasible to establish a statewide infrastructure bank, supporting wastewater treatment plant improvements in Kauai and Hawaii counties, and hiring staff to address regulatory barriers.
3. *Implementation Goals and Future Plans.* OPSD plans to draft RFPs for consultants, start infrastructure projects, collaborate with counties and task forces, and produce reports on streamlining permitting and building processes, aiming for completion by September 2029.

DURF for Housing Development. HHFDC described the use of DURF for infrastructure loan programs, highlighting ongoing projects in Maui, Oahu, and Kauai, and encouraged counties to utilize these financing options for new housing developments.

1. *Loan Program Overview.* HHFDC described their infrastructure loan program, which offers interim financing for 201H housing-related infrastructure projects and regional infrastructure projects at below-market interest rates.

2. *Current and Upcoming Loans.* HHFDC detailed current projects, including a \$7.7 million loan for Nanakuli, Oahu; a \$17 million loan for Waikapu, Maui; and new electrical circuit infrastructure in Kakaako, Oahu, which will facilitate the production of over 2,400 new housing units.
3. *Past Project and Outcomes.* Kauai County reported on the Lima Ola Master Plan Subdivision in Kauai, where DURF funded 75% of phase one infrastructure, enabling completion of multifamily elements and ongoing single-family home construction.
4. *Call for Participation.* HHFDC invited counties and developers to review their projects and contact HHFDC to explore how infrastructure loans and other programs can support future housing developments.

Legislative Updates. HHFDC provided an update on 2025 housing-related laws. Highlights include:

1. *Mixed-Income Subaccount and TOD Linkage.* Act 159 created a mixed-income subaccount within the rental housing revolving fund and requires TOD Council strategic planning for each county. The subaccount currently lacks a funding mechanism, and a bill will be introduced to fix it.
2. *Government Employee Housing Program.* Act 166 establishes a pilot housing program for State employees near TOD sites. HHFDC reported on the completion of a recent survey of State employees, with 5,600 responses received. Preliminary findings of the survey will be provided in a report to the legislature. The final report due in early 2026 will inform future workforce housing initiatives.
3. *Acknowledgment of Legislative Collaboration.* HHFDC thanked legislative partners, including Senate Housing Chair Stanley Chang and House Housing Chair Luke Evslin, for their instrumental role in advancing housing measures.

SHPD's administrator provided an excellent update on the new Acts affecting historic preservation, such as Act 160 and Act 311.

Agency Updates. Participants shared updates on ongoing and planned housing projects, including new acquisitions, request for proposals (RFP), and innovative programs to support affordable housing production and preservation.

1. *Kauai Housing Developments.* Kauai County reported on Phase II of the Lima Ola Master Plan subdivision, new master plan projects in Kilauea and Waimea, and a multifamily RFP in Lihue.
2. *Statewide Developer Selection and Equity Programs.* HHFDC described its efforts to acquire and develop urban lands, recent developer selections for three counties, and proposals to make DURF equity programs permanent, and expand authority for equity investments in construction projects.
3. *Permanent Affordability Initiatives.* HHFDC outlined a new concept to replace buyback and appreciation restrictions, allowing homebuyers to gain equity and sell units after ten years while maintaining long-term affordability for local residents.
4. *Acquisition and Preservation Projects.* Hawaii County shared updates on the purchase of a hotel and eight single-family homes in Hilo, the launch of an interactive housing pipeline website, and the slow pace of new unit production despite a large pipeline.

6. *Financial Closing of Kuhio Park Terrace.* HPHA announced the financial closing for the Kuhio Park Terrace project in Honolulu, with plans for 300 new units and a ground blessing ceremony scheduled for December 19.

Next Steps

The seventh working group meeting will be scheduled in 2026, and will continue discussions with its members to discuss other issues that impede housing development and look for opportunities to resolve them.

Closing

The community of housing stakeholders – HHFDC, HPHA, chairpersons of Senate and House of Representatives housing committees, LUC, OPSD, HCDA, representatives from county planning departments, and others are committed to working together to provide recommendations to reduce barriers to housing production in Hawaii.

Thank you for the opportunity to provide this update.