OFFICE OF HAWAIIAN AFFAIRS

TESTIMONY IN SUPPORT OF HB1777 HD1
RELATING TO HOUSING

Ke Kōmike Hale o ka Hoʻokolokolo a me ke Kuleana Hawaiʻi
(House Committee on Judiciary & Hawaiian Affairs)

Ke Kapitala ʻo Hawaiʻi
(Hawaiʻi State Capitol)

Pepeluali 26, 2026	2:00 PM	Lumi 32

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

The Office of Hawaiian Affairs (OHA) provides **COMMENTS ON HB1741 HD1** cautioning against this false model of housing affordability that threatens to upend longstanding local rule and governance with respect to workforce housing set asides essential for serving our island community.

OHA recognizes that legislatively imposed land-use conditions, including affordable housing set-asides (often called inclusionary zoning) are one way that local and state governments are able to deliver affordable housing for state residents. The state should allow county home-rule and not impose a state-level regulation on a local government tool that is used all over the country. Any specific affordable housing set-asides should, can, and have historically been set at the county level, allowing each county the flexibility to deliver housing for their residents. Kauaʻi offers a promising model in this regards, further highlighting the need for local level experimentation and innovation in affordable housing set-asides.

Unfortunately, in proposing a deviation from the historical status quo, this bill relies on a flawed housing model that has not been proven in a housing market such as ours: that building new housing unit at the top end of the real estate market opens housing opportunities for buyers further down the financial cost ladder. This replacement theory is premised on the erroneous assumption that for every new luxury housing unit built in Hawaiʻi, an older housing unit will become available as local families move up the financial ladder from a starter home to a more expensive home.

This is simply not the case in a housing market such as Hawai‘i that has endless elasticity as investors—including large companies and out of global real estate investment trusts— search out housing for the purpose of shareholder investment and profit, not as a primary residence or home. Because of this endless global demand for luxury housing in Hawai‘i it is simply not true that luxury construction has any trickle down benefits for residents attempting to purchase a home in this real estate market.

Hawai‘i continues to face a severe shortage of affordable housing for low to moderate-income households. Statewide housing analyses have consistently shown that most housing demand comes from households earning between eighty per cent of the area median income (AMI), with a substantial share of demand from households at or below thirty per cent of AMI.[1] "The consequences of unaffordable housing continue to show up in out-migration, homelessness, and more families being priced out of the local market."[2] For example, in 2022, more than 67,000 former Hawai'i residents moved to other states, with the high-cost of housing identified in surveys as a leading cause of out-migration.[3]

Native Hawaiians are disproportionately impacted by these conditions. Native Hawaiian households have lower homeownership rates than the statewide average, higher rates of overcrowding and multigenerational living, and significantly higher rates of hidden homelessness.[4] These conditions underscore the importance of preserving a range of policy tools that allow counties to require or incentivize affordability outcomes when approving residential development on Hawai‘i's limited land base.

OHA cautions that statutory frameworks should not restrict counties from tailoring affordability strategies to local market conditions and demonstrated housing needs. OHA further notes that increased production of market-rate housing, standing alone, does not necessarily ensure that new units will be accessible to current Hawai‘i residents. **Absent enforceable affordability or residency standards, such development may continue to attract purchasers with substantially greater purchasing power than local households, while generating additional demand for affordable housing and public services.**

For these reasons, OHA respectfully urges the Committee on Judiciary and Hawaiian Affairs to consider whether this measure best serves the people of Hawai‘i.

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[1] Hawai‘i Housing Planning Study (2025), at 34 (HHFDC).

[2] UHHERO Report at p. 1.

[3] UHHERO Report at 7.

[4] U.S. Census Bureau, American Community Survey (2017); DHHL Homestead Services Division Submittal (Feb. 2018).

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB1741 HD1– Relating Housing
House Committee on Judiciary & Hawaiian Affairs
Thursday, February 26, 2026 at 2:00PM Conf. Rm. 325 and via Videoconference

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Aloha Chair Tarnas, Vice Chair Poepoe, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB 1741 HD1**, 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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[1] 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 HD1 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

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 HD1 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.

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

February 26, 2026

TO: Chair Todd and Members of the House Committee on Finance
RE: HB 1741 HD1, Relating to Housing

Dear Chair Todd 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 House Bill 1741 HD1. This bill would prohibit a county from adopting, amending, or enforcing an inclusionary mandate or inclusionary mandates for residential or mixed-use development, among other things.

In theory, inclusionary housing policies can be well-intentioned tools to generate affordable units. However, they practically function as unpredictable cost burdens that reduce overall housing production. The result is fewer total units delivered to residents, regardless of whether they are market-rate or ‘affordable.’

HB1741 creates a targeted framework that allows such mandates to apply in circumstances where there is a clear policy rationale, such as luxury residential projects or developments that receive discretionary value increases (e.g., upzoning, variances, or density bonuses).

By aligning inclusionary mandates with documented need, proportionality, and clearly defined criteria, this bill supports a more stable and effective housing policy framework. **Please advance House Bill 1741 HD1.**

Thank you,

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

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

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
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Removing barriers to Hawaii's prosperity

Feb. 26, 2026, 2 p.m.
Hawaii State Capitol
Conference Room 325 and Videoconference

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

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

RE: TESTIMONY IN SUPPORT OF HB1741 HD1 — RELATING TO INCLUSIONARY ZONING

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **supports** HB1741 HD1, 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 units 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 it.

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 increase 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 total amount of housing that gets built.

Research supports this. Carl Bonham at the Economic Research Organization at the University of Hawaiʻi 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 urge the Legislature to approve this bill.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

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[2] Carl Bonham, "The Unintended Consequences of Affordable Housing Policy," The Economic Research Organization at the University of Hawaiʻi, Sept. 8, 2013.
[3] Shane Phillips, "Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles: Tradeoffs and Policy Implications," Terner Center for Housing Innovation, April 2024.

TESTIMONY IN STRONG SUPPORT OF HB1741 HD1, RELATING TO HOUSING

HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

February 26, 2026

To the Honorable Chair and Members of the Committee:

The Democratic Party of Hawai‘i **strongly supports HB1741 HD1**. 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 HD1. Should you have any questions or require further information, please contact the Democratic Party of Hawai’i at legislation@hawaiidemocrats.org.

Hawai‘i YIMBY
Honolulu, HI 96814
hawaiiyimby.org
info@hawaiiyimby.org

February 26, 2026

House Committee on Judiciary & Hawaiian Affairs

Hawai‘i State Capitol

Honolulu, HI 96813

RE: SUPPORT for HB 1741 HD1 - RELATING TO HOUSING

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee,

On behalf of Hawai‘i YIMBY, we are writing in **support of HB 1741 HD1**, 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 HD1 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.

Hawaiʻi YIMBY
Honolulu, HI 96814
hawaiiyimby.org
info@hawaiiyimby.org

Supporting HB 1741 HD1 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 HD1 is a practical step toward housing solutions that expand opportunity without reducing the homes Hawaiʻi urgently needs.

Hawaiʻi YIMBY *(Yes In My Backyard)* is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawaiʻi's devastating housing crisis. Our members are deeply concerned about Hawaiʻi's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kamaʻāina 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, Hawaiʻi YIMBY

Edgardo Díaz Vega
Chapter Lead, Hawaiʻi YIMBY

Huey Kwik
Chapter Lead, Hawaiʻi YIMBY

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

LIMBY

LIMBYHawaii.org

Aloha e Representatives, Chair, Vice Chair:

Opposition to HBHB1741

We are testifying on behalf of Locals In My Backyard (LIMBY) Hawaiʻi. LIMBY Hawaiʻi is a hui of concerned kamaʻāina and kānaka advocating for solutions to our state's housing crisis.

We are concerned that NIMBYism has driven up costs and driven our friends and families out by opposing all development. We are equally concerned that the apparent answer to this, YIMBYism, insists that anything resembling true affordability is impossible and promotes building housing that gets bought by overseas investors. ***We won't solve our housing woes without building more, but we won't solve them by simply building more.***

The true solution is to create a housing market for locals: one that houses locals first, is tied to local wages, and is managed in trust. We detail real solutions to our housing woes on our website and through our newsletter.

The future for kamaʻāina and kānaka will be LIMBY or Las Vegas. This bill moves all but the wealthiest closer to Vegas.

The bill is premised on the mistaken assumption that market forces alone are sufficient to produce lower priced housing. This assumption has not been proven anywhere it has been tried.

But the fundamental constraint on our housing production is not inclusionary zoning. We have on O'ahu alone tens of thousands of approved units, many of them dating back to the 1990s and 1980s. The reason they have not been built is not because of inclusionary zoning, but because developers are speculating. This behavior is documented in our white paper, CivilBeat, the Star Advertiser, and Environment Hawaii.

Inclusionary zoning may offend the sensibilities of some because it gives middle income folks the same chance to own a home as the most affluent. But it is a critical tool for ensuring that local families remain local families.

Me ka ha'aha'a
Makana Hicks-Goo,
Organizer on behalf of LIMBY Hawaiʻi

HB-1741-HD-1
Submitted on: 2/25/2026 11:42:39 AM
Testimony for JHA on 2/26/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support

1741 HB RELATING TO HOUSING.

HB-1741-HD-1
Submitted on: 2/25/2026 1:26:35 PM
Testimony for JHA on 2/26/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ross Isokane	Individual	Oppose	Written Testimony Only

Comments:

I'm opposed to these State Legislative bills that appear to be attempts to dictate and impose rules/restrictions on what our elected City Councils and counties are allowed to do around housing.

While there is absolutely a discussion that should be had on efficacy (or lack thereof) of inclusionary mandates and its potential negative impact on housing development, I want those discussions to be held in a way that includes the elected officials who are closest to these projects and our communities and neighbhorhoods. Said differently, I want that decision in the hands of my elected City Councilmembers as I see them as being closest to the communities and neighborhoods they represent.

Furthermore, in the context of our housing crisis, I'm generally supportive of removing burdensome regulations to make things easier for developers to build. But I urge all elected officials to EQUALLY focus on reducing the negative impact of global demand and speculative investment in our housing stock that is a major driver in this crisis. I'm looking over all these housing bills moving and being scheduled for hearings and I'm largely only seeing supply-side relief bills, but no meaningful legislation that's going to move the needle to help protect our housing from outside investor demand. I'd really feel a lot better about things if my elected officials at least showed an effort on both drivers.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1741-HD-1
Submitted on: 2/25/2026 9:53:42 PM
Testimony for JHA on 2/26/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dina Shek	Individual	Oppose	Written Testimony Only

Comments:

I write to strongly OPPOSE HB 1741 HD 1, which undermines county-level authority to determine critical affordable housing requirements. Constructing high-end housing does not lead to more affordable homes. This is not how Hawaii's housing market works. Counties need more tools to require and enforce affordable housing mandates in this time of great need.

Thank you for your consideration of my strong opposition to HB 1741.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1741-HD-1
Submitted on: 2/26/2026 6:37:34 AM
Testimony for JHA on 2/26/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sharde Freitas	Individual	Oppose	Written Testimony Only

Comments:

Aloha e Chair Tarnas, Vice Chair Poepoe, and Members of the Committee:

My name is Sharde Freitas, I am a Hilo resident, and I OPPOSE HB1741.

The Bill Relies on an Unproven "Trickle-Down" Housing Theory:

The proposal appears to assume that constructing high-end housing will indirectly free up more affordable homes as buyers move up the property ladder. However, this model does not reflect Hawai‘i's housing market dynamics.

Affordable Housing Set-Asides Is a Proven Local Tool
Requiring or incentivizing affordable units as part of residential development is a widely used strategy across the country. Counties in Hawai‘i have relied on these tools to ensure that development contributes to housing opportunities for local residents.

Luxury Development Does Not Automatically Increase Affordability
Given sustained global demand for Hawai‘i property, building more high-end units is unlikely to ease price pressures for residents. Without enforceable affordability measures, market-rate construction may simply fuel additional demand.

I urge the Committee to HOLD this measure.

Mahalo for the opportunity to testify.

Sharde Freitas