

February 17, 2026

TO: Chair Hashem and Members of the House Committee on Water and Land
RE: HB 1718 HD1, Relating to Housing

Dear Chair Hashem 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 urge the House Committee on Housing to advance House Bill 1718 HD1.

By repealing Act 45, SLH 2024, the State of Hawai'i will empower counties with the power to facilitate, finance, and issue bonds for affordable and mixed-use developments. As evidenced by the emergence of entities like the City and County of Honolulu's Department of Housing and Land Management (DHLM), this measure aligns with county-based housing efforts across Hawai'i, where local governments are well-positioned to respond to community-specific housing needs.

This approach can accelerate the production of both rental and owner-occupied housing options for residents by leveraging county resources and partnerships, reducing bureaucratic delays, and tailoring solutions to local conditions.

Developers, financiers, and local agencies are more likely to commit resources to complex projects when there is clarity and stability in the regulatory framework. The ability to issue bonds gives counties a valuable tool for assembling the financing needed for projects that might otherwise stall due to funding gaps.

Let's advance House Bill 1718 HD1.

Thank you,



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February 19, 2026

House Committee on Water & Land
Hawai'i State Capitol
Honolulu, HI 96813

RE: SUPPORT for HB 1741 HD1 - RELATING TO HOUSING

Aloha Chair Hashem, Vice Chair Morikawa, 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.



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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 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. 19, 2026, 9 a.m.
Hawaii State Capitol
Conference Room 411 and Videoconference

To: House Committee on Water and Land
Rep. Mark Hashem, Chair
Rep. Dee Morikawa, 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 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 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 Water & Land
Thursday, February 19, 2026 at 9:00AM Conf. Rm. 411 and via Videoconference

Aloha Chair Hashem, Vice Chair Morikawa, 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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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 Water & Land

Thursday, February 19, 2026 at 9:00AM Conf. Rm. 411 and via Videoconference

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%	not analyzed	
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%	not analyzed	
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%	not analyzed	

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



HAWAII APPLESEED
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Support for HB1741 – Relating Housing
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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.

HB-1741-HD-1

Submitted on: 2/15/2026 9:22:55 AM

Testimony for WAL on 2/19/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
William Caron	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee,

I am testifying in strong support of HB1741, which establishes clear, evidence-based guardrails for county inclusionary zoning mandates. This bill does not oppose affordable housing; it ensures that well-intentioned requirements actually result in housing production rather than inadvertently suppressing it.

The Problem HB1741 Solves

Inclusionary zoning mandates require developers to include affordable units in market-rate projects. When properly calibrated to local market conditions, these policies can generate affordable housing without undermining development. But when mandates exceed what projects can financially absorb, the result is not more affordable housing—it is fewer homes built at any price point.

This is not theoretical. Honolulu's experience demonstrates the danger of proceeding without rigorous feasibility analysis.

Honolulu's Cautionary Tale

In 2016, Honolulu commissioned both a nexus analysis and a financial feasibility study before adopting its island-wide Affordable Housing Requirements (AHR). The findings were stark:

- For condominium prototypes, the consultant found that **only one**—a high-rise with community benefits bonus in Ala Moana—was currently feasible under the AHR. Even that prototype became infeasible if the requirement was satisfied through payment of an in-lieu fee rather than construction. All other condominium prototypes remained infeasible under the AHR, with or without the City's financial incentives.
- For apartment prototypes, the findings were even more severe: **"none of the apartment prototypes are currently feasible without subsidy,"** and therefore none could support the AHR "with or without financial incentives."

Despite this pre-adoption analysis showing that many typical prototypes could not viably absorb the mandate's costs, the Honolulu City Council proceeded with an island-wide requirement

activated at just **10 units**—meaning small and mid-sized projects across the island are now subject to an inclusionary mandate their own prototypes cannot support.

What HB1741 Does

HB1741 establishes a statewide standard to prevent this outcome. It:

- Treats county inclusionary mandates as development exactions requiring proper feasibility analysis.
- Prohibits enforcement of mandates that would render representative residential prototypes infeasible.
- Establishes requirements for needs assessment studies before adoption or amendment.
- Allows luxury projects or those receiving discretionary value increases to be subject to mandates.

Why This Matters

When inclusionary mandates exceed feasibility, they do not produce affordable housing—they suppress all housing production. This worsens affordability for everyone, particularly working families priced out of an undersupplied market.

Kaua‘i and Hawai‘i County both commissioned feasibility studies after adopting their programs, responding to concerns that existing requirements might be suppressing production. Kaua‘i’s response—strategically exempting town cores—demonstrates how data can guide smarter policy. Honolulu’s approach—proceeding despite its own consultant’s findings—shows what happens when mandates are unmoored from economic reality.

HB1741 would have constrained Honolulu’s AHR in light of its 2016 analysis. It will guide future county updates—like Hawai‘i County’s ongoing Chapter 11 feasibility work—through a consistent framework that protects both affordability and overall housing production.

I urge you to pass this bill and ensure Hawai‘i’s inclusionary policies are grounded in evidence, not aspiration.

Mahalo for the opportunity to testify.

HB-1741-HD-1

Submitted on: 2/16/2026 11:12:07 AM

Testimony for WAL on 2/19/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dale VanderBrink	Individual	Support	Written Testimony Only

Comments:

I support HB1741

House of Representatives
Bill HB 1741 HD1
Committee on water & Land
Rep. Mark J. Hashem, Chair
Rep. Dee Morikawa, Vice Chair
February 19, 2026
Matthew Frisbie

Testimony in Support of HB1741 HD1

Chair, Vice Chair, and Members of the Committee:

My name is Matthew Frisbie, and I am in support of HB1741 HD1.

Hawai‘i is facing a serious housing shortage. Families, kūpuna, and young people are struggling to find homes they can afford. Stable housing is one of the most important foundations for health, safety, and opportunity. When people cannot afford housing, we see increases in stress, homelessness, family instability, and poor health outcomes.

What this law would help

- Increase housing supply by making it easier to build more homes, especially in urban areas.
- Lower long-term housing costs because adding more homes can reduce rent and home prices over time.
- Reduce homelessness and displacement by improving access to stable, affordable housing.
- Support healthier families and communities, since stable housing improves mental health, safety, and school success.
- Create a fair and legally sound system so housing rules follow recent court decisions.

What this law would affect

- Housing development in Hawai‘i by changing how counties apply inclusionary or affordability requirements.
- Costs for builders and homebuyers, aiming to prevent extra fees that could raise prices.
- Affordable housing funding, encouraging clearer and more transparent government support.
- Community stability, especially for working families, kūpuna, and young residents trying to stay in Hawai‘i.

The reason why I support bill SB2539 is because

- Housing stability is directly connected to health, education, and overall well-being, which are core concerns in social work and community services.
- With many residents already spending more than 30% of income on housing, we need to take action to keep local families in Hawai'i.

HB1741 HD1 moves Hawai'i toward practical solutions that both encourage homebuilding and protect community well-being. Policies that expand housing access are directly connected to social justice because they give people a fair chance to live safely and remain in their communities.

For these reasons, I respectfully urge the Committee to pass HB1741 HD1.

Mahalo for the opportunity to provide testimony.

Matthew Frisbie