



OFFICE OF HAWAIIAN AFFAIRS

‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

TESTIMONY WITH COMMENTS ON HOUSE BILL 1741 HD2
RELATING TO HOUSING

Ke Kōmike ‘Aha Kenekoa o ke Ikehu, a me ka Pilina O Nā Aupuni
(Senate Committee on Energy and Intergovernmental Affairs)

Ke Kōmike ‘Aha Kenekoa o ke Kuleana Hale Noho
(Senate Committee on Housing)

Ke Kapitala ‘o Hawai‘i
(Hawai‘i State Capitol)

Malaki 19, 2026

3:02 PM

Lumi 224

Aloha e Chair Wakai, Vice Chair Chang, Chair Chang, Vice Chair Hashimoto, and
Members of the Committees:

The Office of Hawaiian Affairs (OHA) provides **COMMENTS ON HB1741 HD1**, and cautions against adopting a model of housing affordability that risks undermining 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. Kaula‘i 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 “filtering” theory is premised on the erroneous assumption that for every new luxury housing unit built in Hawai‘i, 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 Committees to consider whether this measure best serves the people of Hawai‘i.

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).

March 19, 2026

TO: Chair Wakai and Members of the Senate Energy and Intergovernmental Affairs
Committee
Chair Chang and Members of the Senate Housing Committee
RE: HB 1741 HD2, Relating to Housing

Dear Chairs Wakai, Chang 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 HD2. 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 HD2.**

Thank you,



Lee Wang
Executive Director
Housing Hawai'i's Future
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Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org



www.AlohaILHawaii.org

Mar 19, 2026

MISSION

Aloha Independent Living Hawaii (AILH) dedicated to providing independent living programs and services for persons with disabilities in Hawaii.

We work together with the community and consumers to improve the quality of life through individual choices and access to services.

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Roxanne U. Bolden

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The Honorable Glenn Wakai, Chair
Senate Committee on Energy and Intergovernmental Affairs
The Thirty-Third Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

The Honorable Stanley Chang, Chair
Senate Committee on Housing
The Thirty-Third Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

SUBJECT: HB1741 HD2 – Relating to Housing

Chair Wakai, Chair Chang, and Members of the Committees:

Aloha Independent Living Hawaii (AILH) is a Center for Independent Living (CIL) that serves disabled residents statewide. We work to ensure that disabled people of all ages can live in the community with the services and supports they need, rather than in institutions or segregated settings.

AILH has **serious concerns about HB1741 HD2** and its impact on affordable, accessible housing opportunities for disabled residents. While we recognize the Legislature's intent to respond to the Sheetz decision and to increase overall housing supply, this measure would significantly restrict counties' ability to use inclusionary housing tools that are essential to creating integrated, affordable, and accessible units in the very neighborhoods where disabled people need to live.

HB1741 HD2 treats county inclusionary mandates as "housing affordability impact fees" and layers on new requirements before counties can adopt, amend, or enforce those mandates. Counties must complete detailed needs



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assessment studies, with complex feasibility analyses for multiple prototypes and compliance options, and must show that any mandate either does not increase prices or is fully offset by incentives. For most non-luxury, by-right projects—the kinds of apartments and condos where many disabled people seek housing—this creates a very high bar that many counties will struggle to meet in practice.

From an Independent Living perspective, the risk is clear: if inclusionary mandates become too difficult or risky for counties to use, we will see fewer below-market units set aside within mixed-income, transit-served, and service-rich developments. Disabled residents rely on these units to live near healthcare, transit, and everyday amenities, instead of being pushed to the geographic and social margins. When inclusionary tools are weakened, disabled people are more likely to face institutionalization, homelessness, or long-term placement in inaccessible, car-dependent areas that undermine their independence and community participation.

The bill attempts to distinguish between “non-luxury” by-right housing and “luxury” or discretionary projects allowing more inclusionary requirements on the latter. However, many disabled residents cannot afford “luxury” units and are instead searching in exactly the non-luxury, mid-rise, and multifamily buildings that would be shielded from strong inclusionary mandates under this framework. By demanding proof that a mandate causes no price increase or requiring full offsets, the bill could in effect discourage counties from imposing meaningful inclusionary obligations where disabled people actually live.

We are also concerned that the bill makes all existing inclusionary mandates unenforceable for new applications until a new study meeting its standards is completed and adopted. Given staffing and capacity constraints in Hawaii’s counties, this could mean a prolonged period where current inclusionary requirements are effectively paused, even as rents and home prices remain out of reach for many disabled residents. For our consumers, a “temporary” pause can translate into years of missed opportunities to secure an accessible, affordable unit in a new project.



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HB1741 HD2 explicitly exempts resort and vacation-rental construction, and projects under HHFDC and HCDA, while tightening rules on local residential development. From the perspective of disabled residents, this sends the wrong message. We continue to see housing supply and land devoted to visitor-serving uses, while mechanisms that require developers to contribute to local workforce and disability-serving housing are being constrained. Our community members already struggle to compete with visitor-serving uses; limiting inclusionary tools on the residential side only intensifies those pressures.

AILH asks these Committees to ensure that any response to Sheetz and any recalibration of inclusionary policies does not come at the expense of people with disabilities, who are disproportionately low income and disproportionately cost-burdened by housing. A robust inclusionary framework is one of the few tools that can guarantee a share of integrated, accessible, affordable units within private developments in urbanized areas. Weakening that framework, especially for non-luxury by-right projects, will make it harder for disabled residents to choose where they live and to participate fully in their communities, contrary to the core principles of Independent Living.

For these reasons, we respectfully urge you to reconsider HB1741 HD2 and to work with disability and housing stakeholders to protect counties' ability to use inclusionary mandates as a practical tool for creating community-based, affordable, and accessible housing options.

Thank you for the opportunity to testify and for your consideration of the perspectives of Hawaii's disability community.

Aloha,

Roxanne Bolden
Executive Director



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Aloha e Representatives, Chair, Vice Chair:

Opposition to HBHB1741

We are testifying on behalf of Locals In My Backyard (LIMBY) Hawai'i. LIMBY Hawai'i is a hui of concerned kama'āina 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 kama'āina 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.

It is reckless for the legislature to undermine a tool that has brought thousands of units of affordable housing and been in use for decades without actually funding or proposing a meaningful alternative. We are in a crisis, the solution is not to gut one of the few options we have.

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](#).

We urge you to reject this measure.

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



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law and Economic Justice
Support for HB1741 HD2– Relating Housing
Senate Committee on Energy and Intergovernmental Affairs & Housing
Thursday, March 19, 2026 at 3:02PM Conf. Rm. 415 and via Videoconference

Aloha Chair Wakai, Chair Chang, Vice Hashimoto, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB 1741 HD2**, 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.”

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%	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 HD2 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 HD2 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.



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March 19, 2026

Senate Committee on Energy and Intergovernmental Affairs
Senate Committee on Housing
Hawai'i State Capitol
Honolulu, HI 96813

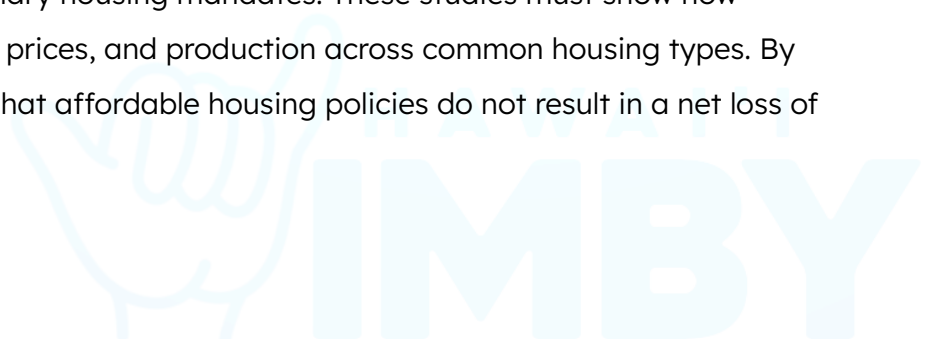
RE: SUPPORT for HB 1741 HD2 - RELATING TO HOUSING

Aloha Chairs Wakai & Chang, Vice Chair Hashimoto, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of HB 1741 HD2**, 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 HD2 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.





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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.

Supporting HB 1741 HD2 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 HD2 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



March 19, 2026, 3:02 p.m.
Hawaii State Capitol
Conference Room 224 and Videoconference

To: Senate Committee on Energy and Intergovernmental Relations

Sen. Glenn Wakai, Chair
Sen. Stanley Chang, Vice Chair

Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy Hashimoto, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN SUPPORT OF HB1741 HD2 — RELATING TO INCLUSIONARY ZONING

Aloha Chairs, Vice Chairs and other Committee Members,

The Grassroot Institute of Hawaii **supports** [HB1741 HD2](#), which would treat county inclusionary zoning mandates as impact fees subject to nexus and rough proportionality legal tests.

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.

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 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

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 urge the Legislature to approve this bill.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

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.

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.



March 18, 2026

Senate Committee On Energy And Intergovernmental Affairs

Senator Glenn Wakai, Chair

Senator Stanley Chang, Vice Chair

Senate Committee On Housing

Senator Stanley Chang, Chair

Senator Troy N. Hashimoto, Vice Chair

Testimony in opposition to HB1741_HD2, Relating To Housing, for hearing on March 19, 2026 at 3:02pm

Chair Wakai, Chair Chang, and Members of the Committees,

UNITE HERE Local 5 represents working people throughout Hawaii's hotel, food service, and health care industries. We are in opposition to HB1741_HD2.

HB1741 surrenders state and county affordable housing policy to an overbroad and premature reading of the *Sheetz v. County of El Dorado* decision. There are nuances and not-yet litigated positions that will decide if Hawaii and its counties were sound in their affordable housing mandate policies.

HB1741_HD2 fails to consider the follow-up developments of the *Sheetz* case. The California Court of Appeals on July 29, 2025, after the Supreme Court remanded *Sheetz vs. County of El Dorado* for reconsideration, found that the original case's traffic impact fee was justified and appropriate. One legal analysis summarized the remanded decision, stating:

- *"The Court held that class-based, legislatively imposed impact fees can satisfy the Takings Clause if they are supported by credible data and applied through a reasonable methodology. Critically, the Court clarified that local agencies are **not required** to make parcel-specific determinations to justify each individual fee [emphasis added]."*
- *"The Court's decision also clarifies a critical question left open by the Supreme Court: whether class-wide, legislatively imposed fee schedules can satisfy Nollan/Dolan. **The Court held that they can**—provided that they are supported by sound data and methodology [emphasis added]."*
- *"The Court clarified that local agencies are not required to make parcel-specific determinations to justify each individual fee."*

The remanded California case is ongoing.

Yet HB1741 immediately jumps to an explicit assertion that *"any county inclusionary mandate shall be deemed a form of development exaction and shall be treated as a housing affordability impact fee pursuant to this part."*

HB1741_HD2 unnecessarily and prematurely trashes carefully crafted state and county affordability policies. HB1741_HD2 assumes without evidence that the initial policy rationales will not hold up to scrutiny.

HB1741_HD2 bill itself violates its own premise:

- The bill is exempting “luxury” residential units from mandate exclusion *without* HB1741_HD2 itself providing “evidence” that exempting luxury projects leads to increased affordable units. Furthermore, the bill defines “luxury” as a one-unit single family property at 125% of the Federal Housing Finance Agency price. In 2026, the FHHA one-unit mortgage loan limit for Honolulu is \$1,250,000; limits for other counties are even higher. The bill adds a further 25% to set the threshold amount, so it treats multi-family condo developments that sell units up to \$1.56M as not “luxury.”
 - o For rental units, the bill would set the “luxury” threshold at twice the HUD fair market rent, which in Honolulu for a one-bedroom unit in an urban core zip code would be \$3,600. For a two-bedroom rental in the same zip code, the bill would set the “luxury” threshold at \$4,800.

In other words, the bill says that anything less than \$4,800 monthly rent for a 2-bedroom rental, or less than \$1.5 million for a condo unit isn’t “luxury”. This is unreasonable.

- Exempting HHFDC and HCDA projects under HRS 201H and HRS206E without those statutes providing the evidence these two legislatively imposed policies have nexus and proportionality to meeting affordable housing goals. Does HB1741_HD2 consider potential exaction issues inherent in the two statutory policies and whether they are defensible?
- The entire concept of the bill is begging the question. If affordable housing construction is cost prohibitive to developers, then how is this bill supposed to magically make development costs cheaper and magically create more local residents who can afford market priced homes? If the counties can’t justify a mandate - as the bill seems to suggest - then there will be few if any affordable units developed, only “market rate” units (keeping in mind the “market rate” is driven by ultra-rich, global buyers who want a tropical home asset with great historical return on investment). If the State and Counties do have justifications for the mandates, then the bill is wasting everyone’s time, energy, and money.
- HB1741_HD2 dictates what a needs assessment study shall include. Under what basis does the legislature assume HB1741’s proposed framework for an assessment study is better or will be satisfactory compared to the initial county rationale?

The bill fails to acknowledge that Hawaii is a unique real estate market unlike any other in the country. Hawaii is a tropical paradise with limited real estate space. Hawaii real estate is an investment that historically appreciates at a dependable and attractive rate of return. The conditions of Hawaii’s unique status attracts millionaire/billionaire investors from around the world. These conditions distort traditional economic paradigms of supply and demand. Local residents are bidding against millionaires from Hong Kong, London, Tokyo, and Wall Street to set the “market rate.”

The Legislature, via HB1741_HD2, is effectively adopting a “trickle-down” housing policy. “Trickle-down” wealth is a Reagan-era economic belief that does not work. HB1741_HD2 would favor uncontrolled building and leaves a large policy vacuum the counties will struggle to fill. The legislature is freeing developers from obligations to taxpaying residents by building what is conveniently profitable with the vague hope that “more” housing units will eventually trickle down to Hawaii’s working-class families at affordable prices. Again, while ignoring Hawaii’s unique market status.

We urge you to defer HB1741_HD2.

Thank you for this opportunity to testify.



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TESTIMONY IN STRONG SUPPORT- HB1741 HD2

Aloha Chair, Vice-Chair, and Members of the Committee,

Avalon Development Company strongly supports HB 1741 HD2, which establishes a clear, legally sound, and economically realistic framework for county inclusionary housing mandates. Hawai'i's housing shortage cannot be addressed without significantly increasing housing production, particularly multifamily and mixed-use projects in already urbanized areas. This measure recognizes that well-intentioned affordability requirements must be carefully structured so they do not unintentionally suppress the very housing supply needed to stabilize prices and rents.

HB 1741 HD2 appropriately treats county inclusionary mandates as development exactions and requires that they comply with constitutional standards of essential nexus and rough proportionality. By requiring counties to rely on transparent, professionally prepared needs assessment and feasibility studies before adopting or enforcing such mandates, the bill ensures that affordability policies are grounded in evidence rather than assumptions. This approach protects both local governments and housing providers from legally vulnerable mandates while promoting policies that are defensible, predictable, and tied to actual project impacts.

Importantly, the bill does not eliminate affordable housing requirements. Instead, it establishes a targeted, differentiated framework that protects non-luxury, by-right housing from mandates that would increase prices or suppress feasibility, while preserving counties' ability to impose proportionate requirements on luxury residential projects and developments that receive discretionary increases in density, height, or floor area. This distinction reflects economic reality: affordability requirements are most appropriate where additional land value is created and can be reasonably shared without undermining project viability.

From a housing delivery perspective, HB 1741 HD2 directly addresses one of the core barriers to production: uncertainty and misaligned cost burdens. When inclusionary mandates are imposed without demonstrating that they can be absorbed without increasing market prices or deterring construction, the result is fewer projects moving forward, fewer homes delivered, and higher costs passed on to renters and buyers. By requiring either a no-price-increase finding or full cost offsets for non-luxury projects, the bill promotes housing production while still supporting affordability goals through transparent public policy choices.

Avalon Development Company supports HB 1741 HD2 because it advances a balanced housing strategy, one that expands overall housing supply, maintains lawful and economically sound



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affordability tools, and encourages governments to fund income-restricted housing openly rather than embedding hidden costs into private development. This measure represents a thoughtful and necessary step toward improving housing outcomes for Hawai'i's residents.

For these reasons, we respectfully urge the Committee to pass HB 1741 HD2.

Mahalo for the opportunity to submit testimony in strong support.

Respectfully submitted,

Avalon Development Company LLC

HB-1741-HD-2

Submitted on: 3/16/2026 11:04:43 PM

Testimony for EIG on 3/19/2026 3:02:00 PM

Submitted By	Organization	Testifier Position	Testify
Dale VanderBrink	Individual	Support	In Person

Comments:

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

My name is Dale VanderBrink. I am the 2nd Vice Chair of the Ala Moana Kaka'ako Neighborhood Board. This is my personal testimony.

I am writing this in strong support of HB1741.

This bill would place reasonable limits on when counties can impose inclusionary housing mandates on residential and mixed-use development.

Although these policies are often meant to create affordable housing, they can also add costs that slow or reduce new housing production. When fewer homes are built, that can worsen housing shortages for everyone.

This shouldn't be something voted on with emotion, but rather facts.

Please support HB1741

Mahalo,

Dale

