DEPARTMENT OF PLANNING AND PERMITTING
KA ʻOIHANA HOʻOLĀLĀ A ME NĀ PALAPALA ʻAE
CITY AND COUNTY OF HONOLULU

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TESTIMONY OF THE DEPARTMENT OF PLANNING AND PERMITTING

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS AND
THE SENATE COMMITTEE ON JUDICIARY

March 4, 2026
Conference Room 211

TO: The Honorable Donovan Dela Cruz, Chair, The Honorable Sharon Y. Moriwaki, Vice Chair, and Members of the Senate Committee on Ways and Means

The Honorable Karl Rhoads, Chair, The Honorable Mike Gabbard, Vice Chair, and Members of the Senate Committee on Judiciary

RE: COMMENTS ON SENATE BILL NO. 2190, SD 1,RELATING TO INCLUSIONARY ZONING

The Department of Planning and Permitting (DPP) **offers comments** on Senate Bill No. 2190, SD 1, which prohibits any law, ordinance, or rule from imposing an inclusionary zoning requirement on housing offered exclusively for sale or rent in perpetuity to buyers or renters who are residents of the State, are owner-occupants or renters, and do not own any other real property.

It appears that the intent of the Bill is to remove all inclusionary zoning requirements related to restrictions on affordability, thus allowing developments to be sold or rented primarily, if not entirely, at market prices and rents. This override of income eligibility requirements runs counter to our decades-long basic housing strategy, which is to focus limited public resources on delivering more housing to those most in need.

According the City's most recent Annual Report on the Status of Land Use on Oʻahu, the housing cost burden is most onerous for low-income households, i.e., those with income at or below 80 percent of Honolulu's area median income. Households in this income category, both homeowners and renters, are considered severely housing-cost burdened, meaning they pay more than one-half of their income on housing. This

Bill replaces a need-based strategy with one that supports housing production for Hawai'i residents who do not own property, including those with high incomes.

The City has depended on inclusionary zoning for decades and it has, without a doubt, benefited local residents. Curtailing this program would be detrimental to the City's goal of increasing the supply of affordable housing. Going forward, the City is committed to take a more direct and active role in the development and financing of affordable housing. We are continually striving to expand the housing supply for residents across the income spectrum, increase homeownership opportunities, and, most importantly, create communities that our future generations are able to afford and call home. Furthermore, the City has and continues to respond to the real estate market by amending rules and regulations to remove barriers, such as eliminating the required gross household income to housing payment ratio.

We respectfully offer these comments on Senate Bill No. 2190, SD 1, and thank you for the opportunity to testify.

Very truly yours,

Dawn Takeuchi Apuna
Director

LATE

OFFICE OF HAWAIIAN AFFAIRS

TESTIMONY IN OPPOSITION OF SENATE BILL
SB2190 SD1

RELATING TO INCLUSIONARY ZONING

Ke Kōmike ʻAha Kenekoa o ke Kiʻina Hana a me nā Kumuwaiwai
(Senate Committee on Ways and Means)

Ke Kōmike ʻAha Kenekoa o ka Hoʻokolokolo
(Senate Committee on Judiciary)

Senate Committee on Housing
Hawaiʻi State Capitol

Malaki 4, 2026 10:35 a.m. Lumi 211

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committees:

The Administration of the Office of Hawaiian Affairs (OHA) respectfully **OPPOSES** this measure.

OHA appreciates the intent of this bill to preserve housing opportunities for Hawaiʻi residents and to discourage speculative investment in residential housing. However, as drafted, this measure would unnecessarily restrict counties' ability to require affordable housing and would undermine the State's obligation to ensure that new development meaningfully addresses Hawaiʻi's severe and ongoing affordable housing crisis—particularly for Native Hawaiian families.

Hawaiʻi continues face an acute affordable housing crisis. Research indicates that the State requires approximately 65,000 additional housing units, with nearly one-quarter of demand for households earning at or below 30% of Area Median Income (AMI) and more than two-thirds of demand for households earning 80% AMI or below. Notably, only about 11% of statewide housing demand is for market-rate units, defined as housing affordable above 140% AMI.[1] Despite this reality, current housing policy too often prioritizes market-rate development while relying on voluntary incentives rather than enforceable affordability requirements. Mandatory minimum affordable housing

[1] *Hawaiʻi Housing Planning Study* (HHFDC & DBEDT), projecting statewide housing demand by AMI level and tenure.

requirements, such as inclusionary zoning, remain one of the few tools available to ensure that new housing production aligns with actual statewide and county-level demand.

In contrast, developers in Honolulu have long benefited from a status quo in which substantial zoning incentive, such as increased density, height, and expedited approval are often granted without any minimum affordable housing requirement. Without enforceable inclusionary zoning standards, developers continue to receive public benefits with no corresponding obligation to provide housing affordable to the majority of Hawaiʻi residents. This bill would further extend that imbalance by prohibiting counties from applying inclusionary zoning requirements to an entire category of housing, regardless of local conditions or demonstrated affordability needs. While this measure exempts certain developments from inclusionary zoning if units are restricted to Hawaiʻi residents, owner-occupants, or renters who do not own other real property, these criteria do not ensure affordability. The bill does not define affordability or require income-based targeting. Residency status alone does not prevent high-income households from qualifying. Prohibiting ownership of other real property does not address demand from individuals seeking to relocate to Hawaiʻi with substantially greater purchasing power than most local families.

As previously noted, current definitions of "affordable" frequently allow housing priced at up to 140% AMI to qualify for bonuses and exemptions. In real dollar terms, this can mean housing affordable to a single individual earning over $100,000 per year, or rental units exceeding $2,500 per month, being labeled as "affordable." Such outcomes do not reflect the financial reality of Native Hawaiian families or the majority of Hawaiʻi households. Native Hawaiians experience disproportionate housing insecurity. Native Hawaiian households are less likely to own homes, more likely to live in overcrowded or multi-generational households, and more than three times as likely to include a "hidden homeless" family member. These conditions underscore the importance of preserving county flexibility to deploy a full range of housing tools, including inclusionary zoning, to meet deep affordability needs. Prohibiting inclusionary zoning for certain developments, this measure would exclude counties and planning agencies, limiting their ability to require housing that serves households at 60% AMI and below, where most of the need exists.

OHA is also concerned that this bill promotes the development of market-rate housing without adequate safeguards. Studies have shown that new market-rate development can increase demand for affordable housing, rather than relieve it. Removing inclusionary zoning requirements eliminates one of the only mechanisms counties have to offset this induced demand.

OHA remains concerned about the stacking of public subsidies. Developers who receive zoning exemptions, density bonuses, or other public benefits should not further deplete scarce resources such as Low-Income Housing Tax Credits unless they are providing significantly greater affordability above minimum requirements. This bill does not address that concern.

OHA strongly supports policies that prioritize meaningful, income-targeted affordable housing for Native Hawaiians and local families. However, this measure would restrict county authority, weaken mandatory affordability requirements, and fail to ensure that new housing serves the income levels where Hawaiʻi's housing need is greatest.

For these reasons, the Office of Hawaiian Affairs respectfully **OPPOSES** this measure and urges the Committees to **HOLD** the bill.

Mahalo for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

DEAN MINAKAMI
EXECUTIVE DIRECTOR

LATE

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON JUDICIARY
March 04, 2026 at 10:35 a.m.
State Capitol, Room 211

In consideration of
SENATE BILL 2190 SENATE DRAFT 1
RELATING TO INCLUSIONARY ZONING.

Chairs Dela Cruz and Rhoads, Vice Chairs MoriwakiI and Gabbard, and members of the Committee.

HHFDC **supports** Senate Bill 2190 Senate Draft 1, which addresses inclusionary zoning requirements for housing developments.

Hawaii continues to face a severe affordable housing shortage that impacts local families and our workforce. This bill takes an important step toward preserving housing opportunities for residents by prohibiting inclusionary zoning requirements on housing offered exclusively for sale or rent in perpetuity to local residents who are owner-occupants or renters and do not own other real property.

This bill directly supports the Governor's commitment to increasing affordable housing production by removing regulatory barriers that often slow or prevent development. By exempting housing offered exclusively to local residents in perpetuity from inclusionary zoning requirements, this bill makes these projects more financially feasible and attractive to developers.

This approach aligns with the Governor's vision to accelerate housing construction while ensuring homes remain accessible to Hawaii residents.

By ensuring that housing reserved for Hawaii residents is not subject to additional inclusionary zoning mandates, this bill promotes the development of homes that strengthen our communities

and keep families in the islands. This approach aligns with the Legislature's intent to address the housing crisis while prioritizing local occupancy and affordability.

Thank you for the opportunity to testify.

GRASSROOT
INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

March 4, 2026, 10:35 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

LATE

To: House Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice Chair

Senate Committee on Judiciary
Sen. Karl Rhoads, Chair
Sen. Mike Gabbard, Vice Chair

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

RE: TESTIMONY IN SUPPORT OF SB2190 SD1 — RELATING TO INCLUSIONARY ZONING

Aloha chairs, vice chairs and other members of the committees,

The Grassroot Institute of Hawaii **supports** SB2190 SD1, which would prohibit counties from imposing inclusionary zoning requirements on projects offered for sale or rent in perpetuity to residents of the state who do not own any other real property.

This bill is a smart approach to dealing with affordable housing mandates that often stifle homebuilding.[1]

Affordable housing mandates force homebuilders to increase the prices of their 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.

[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.

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

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

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

Research supports this. Carl Bonham at the Economic Research Organization at the University of 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 SB2190 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

[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.

Hawai'i YIMBY
Honolulu, HI 96814
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March 4, 2026

LATE

Senate Committee on Ways and Means

Senate Committee on Judiciary

Hawai'i State Capitol

Honolulu, HI 96813

RE: SUPPORT for SB 2190 SD1 - RELATING TO INCLUSIONARY ZONING

Aloha Chairs Dela Cruz & Rhodes, Vice Chairs Moriwaki & Gabbard, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of SB 2190 SD1**, which takes a careful and reasonable approach to a complex housing policy issue. Research and experience show that inclusionary zoning can help create affordable units, but finding the exact balance between requirements and incentives that results in no net loss of overall housing production is difficult. Small changes in policy design or market conditions can shift outcomes from helpful to harmful.

When inclusionary zoning requirements are set too high or not matched with sufficient incentives, they can reduce the number of homes built across the market. This uncertainty makes it especially important to avoid policies that could unintentionally slow housing production in a state already facing a severe housing shortage.

SB 2190 SD1 recognizes this challenge by exempting certain perpetually restricted, locally focused housing from inclusionary zoning requirements. These homes are already dedicated to serving local residents over the long term. Applying additional set-aside requirements in these cases risks discouraging more housing production without delivering meaningful public benefit.

Hawaiʻi YIMBY
Honolulu, HI 96814
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Supporting this bill does not mean abandoning the goal of creating more affordable housing. It means acknowledging the limits of one policy tool and committing to continued work on data-backed solutions. Housing policy should be guided by evidence that shows we are increasing affordability while also maintaining or growing the overall housing supply.

SB 2190 SD1 is a prudent step that protects housing production today while leaving room to refine and improve inclusionary zoning policies based on real-world outcomes.

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