

**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



**DEAN MINAKAMI**  
EXECUTIVE DIRECTOR

## **STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
HONOLULU, HAWAII 96813  
FAX: (808) 587-0600

Statement of  
**DEAN MINAKAMI**  
Hawaii Housing Finance and Development Corporation  
Before the

### **SENATE COMMITTEE ON HOUSING**

January 30, 2024 at 1:00 p.m.  
State Capitol, Room 225

In consideration of  
**S.B. 2029**  
**RELATING TO INCLUSIONARY ZONING.**

HHFDC **supports** SB 2029, 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.

The lack of affordable housing is a major barrier to recruiting and retaining a skilled workforce and a reason why many Hawaii residents choose to move to more affordable communities in the continental United States. A 2022 study by UHERO on measuring the burden of housing regulation in Hawaii concluded that regulation has severely limited the ability of the housing market to create the units necessary to meet demand.<sup>1</sup>

Thank you for the opportunity to testify on this bill.

---

<sup>1</sup> Rachel Inafuku, Justin Tyndall, and Carl Bonham. Measuring the Burden of Housing Regulation in Hawaii. UHERO. <https://uhero.hawaii.edu/measuring-the-burden-of-housing-regulation-in-hawaii/>

**DEPARTMENT OF PLANNING AND PERMITTING**  
**KA 'OIHANA HO'OLĀLĀ A ME NĀ PALAPALA 'AE**  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041 • WEB: honolulu.gov/dpp

RICK BLANGIARDI  
MAYOR  
MEIA



DAWN TAKEUCHI APUNA  
DIRECTOR  
PO'O

JIRO A. SUMADA  
DEPUTY DIRECTOR  
HOPE PO'O

January 30, 2024

**LATE**

The Honorable Stanley Chang, Chair  
and Members of the Committee on Housing  
Hawaii State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Chang and Committee Members:

**Subject: Senate Bill No. 2029**  
**Relating to Inclusionary Zoning**

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 2029, which would prohibit inclusionary zoning requirements on for-sale and rental housing units offered exclusively and in perpetuity at “below market prices” to Hawai‘i residents who are owner-occupants or renters, and do not own any other real property; and which would require the submittal of a report on inclusionary zoning annually until 2029.

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. Please note that the City’s inclusionary zoning program does not require affordability in perpetuity, thus this Bill does not affect our current regulations. Nonetheless, 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 Oahu, 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 Honorable Stanley Chang, Chair  
and Members of the Committee on Housing  
Hawaii State Senate  
Senate Bill No. 2029  
January 30, 2024  
Page 2

As background, the City has depended on inclusionary zoning for decades. 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.

More recently, the City has focused on promoting denser, "infill" multi-family projects in the rail corridor with transit-oriented development (TOD) by allowing additional height and density in exchange for affordable housing and other community benefits. In addition, Revised Ordinances of Honolulu (ROH), Chapter 29 (Affordable Housing Requirement) requires affordable housing as part of new housing construction or subdivisions islandwide, and ROH, Chapter 32, promotes affordable rental units in low- to mid-rise developments on small lots by relaxing development standards.

Lastly, we oppose the additional language in Section 2 of this Bill. This report on inclusionary zoning requirements is an unfunded mandate, and there is no purpose in tracking the resale prices or profit realized from units that are beyond the affordability restriction period.

We believe our efforts, which include working closely with the State in planning and prioritizing investments in affordable housing and TOD infrastructure, will add significant affordable housing inventory throughout the county. Accordingly, we respectfully oppose Senate Bill No. 2029, and request that it be held in committee.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dawn Takeuchi Apuna". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dawn Takeuchi Apuna  
Director

Jan. 30, 2024, 1 p.m.  
Hawaii State Capitol  
Conference Room 225 and Videoconference

**To: 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: SB2029 — RELATING TO INCLUSIONARY ZONING

*Comments only*

Aloha Chair Chang, Vice-Chair Hashimoto and members of the Committee,

Thank you for considering [SB2029](#), which would prohibit any law, ordinance or rule from imposing an inclusionary zoning requirement on housing offered exclusively for sale in perpetuity to buyers who are residents of Hawaii, are owner-occupants and do not own any other real property.

By eliminating inclusionary zoning rules for certain properties, this bill would make an important stride toward encouraging the growth of housing in our state.

That's because inclusionary zoning specifies that a certain percentage of homes in a proposed project have to be sold or rented at a certain price point — and that is a disincentive to homebuilders, as a large body of research shows.<sup>1</sup>

To make matters worse, the mandates force homebuilders to raise 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.

---

<sup>1</sup> Tom Means, Edward Stringham and Edward Lopez, "[Below-Market Housing Mandates as Takings: Measuring their Impact](#)," The Independence Institute, November 2007; "[Inclusionary Zoning: Implications for Oahu's Housing Market](#)," The Economic Research Organization at the University of Hawai'i, Feb. 12, 2010; "[How land-use regulation undermines affordable housing](#)," Mercatus Research, November 2015; Paul Kupiec and Edward Pinto, "[The high cost of 'affordable housing' mandates](#)," The Wall Street Journal, Feb. 12, 2018; Benjamin Powell and Edward Stringham, "[Housing supply and affordability](#)," Reason Foundation, April 1, 2004; and "[Inclusionary zoning primer](#)," National Association of Home Builders, August 2019.

Based on the “Inclusionary Housing Calculator” developed by Grounded Solutions Network, our research shows that in housing markets that have a 50% inclusionary zoning requirement, it is nearly impossible to make a profit building housing without a government subsidy.<sup>2</sup>

For example, a low-rise apartment project with 30 units costing \$18 million would incur a net loss of \$7 million, if built in an area with an affordable housing requirement of 50%, according to the calculator.<sup>3</sup>

And the higher the IZ percentage, the greater the net loss.

If government subsidies are required to keep the homebuilders interested, then we are talking about hidden, shifted costs to taxpayers — who often are the same people who need affordable housing — and further obstacles to efficient homebuilding.

As noted by economist Carl Bonham at the Economic Research Organization at the University of Hawai‘i, 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.”<sup>4</sup>

In other words, inclusionary zoning requirements are a roadblock to increasing Hawaii’s housing supply — and we applaud this bill for recognizing this. Passage of SB2029 would provide a strong incentive to homebuilders to respond to the needs of Hawaii families in a speedy and efficient manner.

However, the Grassroot Institute does have one concern with the bill — namely, that it restricts buyers of the new homes to only Hawaii residents.

We sympathize with the intent to ensure that Hawaii residents have priority in the purchase of new homes, but such a restriction could run into legal difficulties, since such a restriction would discriminate against potential out-of-state buyers and thus interfere with the U.S. Constitution’s interstate Commerce Clause.

In addition, and perhaps more important, this restriction would prevent the purchase of such homes from former Hawaii residents who at one time moved to the mainland or elsewhere for whatever reason, but now very much wish to return.

Other than that, we support SB2029 and appreciate that the committee is willing to consider such a worthy measure aimed at facilitating more homebuilding in Hawaii.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of strategic campaigns  
Grassroot Institute of Hawaii

---

<sup>2</sup> [“Inclusionary Housing Calculator 2.0,”](#) Grounded Solutions Network, 2019.

<sup>3</sup> [“Project Summary,”](#) Grounded Solutions Network, accessed Feb. 9, 2021.

<sup>4</sup> Carl Bonham, [“The Unintended Consequences of Affordable Housing Policy,”](#) The Economic Research Organization at the University of Hawai‘i, Sept. 8, 2013.



**Church  
of the  
Crossroads**  
United Church of Christ



**LATE**

**TESTIMONY IN SUPPORT OF BILL SB 2029**

Senate Committees on Housing  
January 30, 2024 at 1:00 p.m.  
Conference Room 225 & Video

Chair Chang, Vice Chair Hashimoto, Members,

Church of the Crossroads, Hawaii's first deliberately interracial congregation now over 100 years old, remains committed to supporting Hawaii's richly diverse population. We ask you to **please pass SB 2029**, which uses a definition of "inclusionary zoning" to support housing sales and rentals to residents most in need of housing.

Hawaii has been building homes at a rate of only 2,000 units per year, far lower than the 10,000 necessary to house residents. Hawaii's limited housing production coupled with sky-high demand drives our people to the mainland. The State's population has declined for seven consecutive years. The people leaving include our young and others most needed for our future. It's a tragedy that more Native Hawaiians now live outside Hawaii than in Hawaii. Unless we *reverse* this downward spiral, Hawaii will suffer the fate of Japan, China, and Western Europe, where declining birthrates fail to keep pace with increased retirees, dimming economic futures.

Instead, our islands need to help Hawaii's "priced out" children, relatives, and friends find homes here. Our people don't like having the world's wealthy overwhelm this small local market with their often-vacant vacation homes.

SB 2029 broadens "inclusionary zoning" to reserve the homes "exclusively for sale in perpetuity to buyers or renters who are residents of the State, are owner-occupants or renters, and own no other real property." It is our understanding that it's legal to restrict sales to residents; any person who qualifies for a Hawaii drivers license or State ID qualifies as a resident. Asking residents to live in the unit and to own no other property means occupants will likely be local people needing an affordable home. It means housing for *us*.

Mahalo for your attention to the Church's testimony in support of SB 2029.

Aloha,

Galen Fox, Past Moderator (President)  
for Church of the Crossroads