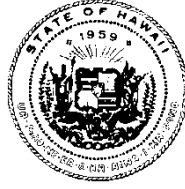


JOSH GREEN, M.D.
GOVERNOR

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 WAYS & MEANS

February 22, 2024 at 9:46 a.m.
State Capitol, Room 211

In consideration of
S.B. 2029 SD1
RELATING TO INCLUSIONARY ZONING.

HHFDC **supports** SB 2029 SD1, which prohibits any law, ordinance, or rule from imposing an inclusionary zoning (IZ) 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.¹

Because IZ mandates affect project feasibility, projects are often delayed or deemed to be infeasible, reducing the development of affordable housing units and worsening our affordable housing crisis.

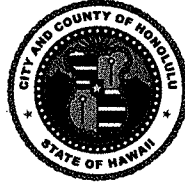
Thank you for the opportunity to testify on this bill.

¹ 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

February 22, 2024

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways & Means
The Honorable Karl Rhoads, Chair
and Members of the Committee on Judiciary
Hawai'i State Senate
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chairs Dela Cruz, Rhoads and Committee Members:

Subject: Senate Bill No. 2029 SD1
Relating to Inclusionary Zoning

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 2029, SD1, 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.

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 to 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.

As background information, the City has depended on inclusionary zoning for decades. It has, without a doubt, benefited local residents by increasing the supply of

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways & Means
The Honorable Karl Rhoads, Chair
and Members of the Committee on Judiciary
Hawai'i State Senate
Senate Bill No. 2029, SD 1
February 22, 2024
Page 2

affordable units. There is currently no City program which requires affordability in perpetuity, restriction periods generally range from five to 30 years.

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.

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, SD1, 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', with a long horizontal flourish extending to the right.

Dawn Takeuchi Apuna
Director

Feb. 22, 2024, 9:46 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Judiciary

Sen. Karl Rhoads, Chair
Sen. Mike Gabbard, Vice-Chair

Senate Committee Ways and Means

Sen. Donovan Dela Cruz, Chair
Sen. Sharon Moriwaki, Vice-Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: COMMENTS IN SUPPORT OF SB2029 SD1 — RELATING TO INCLUSIONARY ZONING

Aloha Chairs, Vice-Chairs and members of the Committee,

Thank you for considering [SB2029 SD1](#), 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 homebuilding 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.¹

¹ 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.

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.

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.²

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.³ 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.”⁴

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 SD1 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

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

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

⁴ 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



TESTIMONY IN SUPPORT OF BILL SB 2029 SD 1
Senate Committees on Ways and Means and the Judiciary
February 22, 2024 at 9:46 a.m.
Conference Room 211 & Video

Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard, 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 SD 1**, which uses a definition of "inclusionary zoning" to support housing sales and rentals to residents most in need of housing.

The lack of affordable housing is a major barrier to recruiting and retaining a skilled workforce, and one of the primary reasons why Hawaii residents are forced to move to more affordable communities on the mainland. The State's population has declined for seven consecutive years. The people leaving us 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.

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 SD 1 revises the "inclusionary zoning" definition to reserve our 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." 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 SD 1.

Aloha,

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



Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Cade Watanabe, Senior Vice-President

February 21, 2024

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair

Testimony in opposition to SB 2029

Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard, and Members of the Committees,

UNITE HERE Local 5 represents 10,000 working people throughout Hawaii's hotel, food service and health care industries. Many of our members and their families struggle to find housing they can afford. It is not clear to us why this bill seeks to prohibit counties from imposing inclusionary zoning requirements – which are specifically designed to generate affordable housing in otherwise market-rate developments – and instead replace them with a lesser standard that does not have any measure of affordability. We can understand why this lesser standard would benefit developers, as they could sell all units in a residential project at luxury prices. It could benefit banks, by increasing the prices of available housing inventory and pushing Hawaii residents to take out larger mortgages. But as far as working people, it only theoretically benefits us if we accept the idea that developers won't build any projects at all unless the projects don't have affordability requirements – an argument lacking evidence.

Perhaps it could be helpful to introduce the proposed standard – which would require buyers or renters to be Hawaii residents, who are owner-occupants or renters, who do not own any other real property – **on top of** other state and county regulations. It could prevent corporations and private equity firms that buy houses from driving up rents and sales prices. It should not, however, **replace** affordability standards, because it does not fulfill the same purpose.

We note that several bills have been introduced which appear to abandon the already-insufficient patchwork of affordability standards in our state and replace them with this new standard that contains no measure of affordability. We do not see this as a solution to the affordable housing crisis.

Thank you for your consideration.