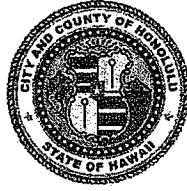


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
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RICK BLANGIARDI
MAYOR

ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

November 30, 2021

The Honorable Tommy Waters
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Waters and Councilmembers:

SUBJECT: Resolution 21-192 Initiating Amendments to the Revised Charter
of the City and County of Honolulu 1973

The island of O'ahu finds itself in a housing crisis and needs to build more than 22,000 housing units to meet current demand at all levels between 2020-2025. Although affordable housing demand is spread over an Area Median Income (AMI) between <30 % AMI to <140% AMI, the majority demand at 54% is between <30 % AMI and <60% AMI.¹ Accordingly, we acknowledge and support the proposition that O'ahu needs to increase its affordable housing inventory by building additional units between now and 2025, and the Blangiardi administration is focused on meeting that need.

That being said, we would like to offer important considerations for Council:

1. Historically, it is the most difficult and takes the longest lead time to deliver affordable housing in the <60% AMI category;
2. The City currently has approximately \$38M in the Affordable Housing fund set aside, by Charter, for units <60% AMI dedicated for 60 years;
3. 46% of the demand for affordable housing on O'ahu is >60% AMI to <140% AMI, often referred to as gap group housing, for single teachers, firefighters, police officers and other workforce members who do not qualify for <60% AMI homes;
4. The City's CIP currently contains a Council add of \$170M which can and is being used to address housing needs at all AMI levels;
5. The City has significant executive operating budget funding needs that merit the deferral of Resolution 21-192 at this time, which include:
 - Funding the operations and maintenance costs for Rail is projected to cost the City approximately \$100M in FY 2023 with higher annual amounts thereafter;


¹ Table 32. Needed Housing Units by HUD Income Classification, Counties & State of Hawaii, 2020-2025; *Hawaii Housing Planning Study*, 2019, Prepared by SMS Research & Marketing Services, Inc., December, 2019.

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- Negotiations with City bargaining units that potentially may result in a significant cumulative increase in employee pay and benefits through FY 2026;
- Assuming operational responsibility over ambulatory services from the State of Hawai'i that will result in funding annual operating costs of an estimated \$50M that will be passed to the City in increments over 4 years; and
- Consideration of other significant operating expenditures of the City that are projected to increase (e.g., utilities, storm water, climate change adaptation).

Given the above, while the Blangiardi administration supports the intent of Resolution 21-192, we simply do not believe the timing for a Charter Amendment setting aside an additional percentage of Real Property Tax outside the General Fund is fiscally appropriate at this time. Should you have any questions regarding this matter, please contact me at 768-3901, or Managing Director Michael Formby at 768-6634.

Sincerely,


Andrew T. Kawano, Director
Budget and Fiscal Services

APPROVED:


Michael D. Formby
Managing Director