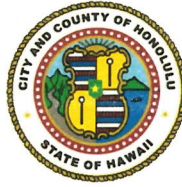


OFFICE OF HOUSING
KE KE'ENA HO'OLĀLĀ KŪKULA HALE
CITY AND COUNTY OF HONOLULU

'24JAN23 AM 9:19 CITY CLERK

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MEIA



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR
PO'O HO'OKO

KEVIN AUGER
DEPUTY DIRECTOR
HOPE PO'O

January 24, 2024

2024-HOU-001

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: Strong Support for Bill 3 (2024) – Relating to Incentives
for the Construction of Affordable Rental Housing

The Office of Housing (HOU) **strongly supports** Bill 3 (2024), because it is responsive to the current market realities and challenges that small developers face with higher interest rates, supply chain shortages, and higher cost of materials affecting project feasibility.

Now, more than ever, the city needs to seize this opportunity to be a facilitator in the delivery of affordable rental housing for our workforce.

This bill builds upon the post-construction grant incentives established under Ordinance 21-12, which was intended to spur development of affordable rental housing in apartment and business mixed-use zoning districts through Ordinance 19-8. When the grant incentive bill was introduced in 2021, interest rates hovered around 3%. Last year, interest rates peaked at 8% and are projected to drop down to 6% to 7%, but that is still double what it was when many of the Ordinance 19-8 projects first started.

The proposed measure offers a subsidy in the form of a pre-construction grant from the city that can be acknowledged by the lender at the time the project applies for financing instead of being awarded after project completion. In addition to providing funding upfront, it increases the grant amount and applies the grant on a per unit basis instead of a per square foot basis.

MAYOR'S MESSAGE 7

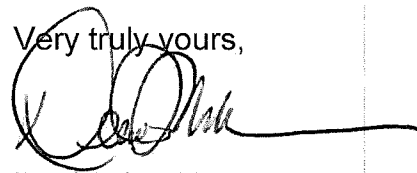
The Honorable Tommy Waters
Chair and Presiding Officer
and Members
January 24, 2024

This is a step in the right direction for the city to achieve its objective of encouraging the creation of affordable rental units for the gap income group, who make too much to qualify for low-income rental units, but not enough to afford market rent.

With high interest rates and the rising cost of construction, the development of workforce rentals is an even bigger challenge today than it was three years ago. Bill 3 enables the city to respond to those challenges and enhance the utility of the program.

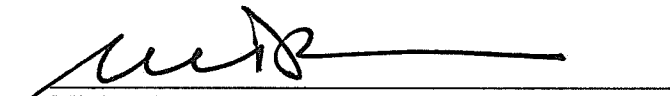
Thank you for the opportunity to provide testimony on this matter.

Very truly yours,



Denise Iseri-Matsubara
Executive Director

APPROVED:



Michael D. Formby
Managing Director