REPORT OF THE COMMITTEE ON HOUSING, SUSTAINABILITY AND HEALTH

Voting Members:
Matt Weyer, Chair; Esther Kia'āina, Vice Chair;
Tyler Dos Santos-Tam, Val Okimoto, Augie Tulba

Committee Meeting Held
June 26, 2024

Honorable Tommy Waters
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Housing, Sustainability and Health, which considered Bill 19 (2024), FD1 entitled:

"A BILL FOR AN ORDINANCE RELATING TO HOUSING,"

introduced on March 15, 2024 and which passed first reading at the March 25, 2024 Council meeting, reports as follows:

The purpose of Bill 19 (2024), FD1 is to address housing in the City and County of Honolulu ("City"), including establishing a resident preference in the City's housing programs.

Your Committee has prepared a CD1 version of the bill that makes the following amendments:

A. In SECTION 1 of the bill:

1. Revises the heading to read "Purpose and findings"; and

2. Adds 11 findings to explain and support the City resident preference in light of the federal and State housing laws and constitutions.

B. In SECTION 2 of the bill:

ADOPTED ON JUL 10 2024

COMMITTEE REPORT NO. 209

1. Revises the definition of "City Resident" in new ROH Section 1-__.2 to read, "Any individual who has a stated intent to reside or be domiciled in the city"; and

2. Amends the title of new ROH Section 1-__.3 from "Policy Preference" to "Preference Policy."

C. Adds a new SECTION 3 to the bill, which amends ROH Section 29-1.4(a) by removing the option for developers to satisfy the City's affordable housing requirement by producing 5%, 10%, or 15% of their for-sale affordable dwelling units as affordable units (the percentage depending on the project location and type, and whether the affordable units would be on the same site as the principal project) that must remain affordable for 30 years. Further amends ROH Section 29-1.4 by increasing the length of time that for-sale affordable dwelling units must remain affordable by an additional five years.

D. Adds a new SECTION 4 to the bill, which provides a Ramseyer clause to instruct the Revisor of Ordinances. Renumbers subsequent SECTIONS.

E. Makes miscellaneous technical and nonsubstantive amendments.

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Your Committee on Housing, Sustainability and Health is in accord with the intent and purpose of Bill 19 (2024), FD1, as amended herein, and recommends that it pass second reading, be scheduled for a public hearing, and be referred back to Committee in the form attached hereto as Bill 19 (2024), FD1, CD1. (Ayes: Dos Santos-Tam, Okimoto, Tulba, Weyer – 4; Noes: - None; Absent: Kia'āina – 1.)

Respectfully submitted,

Committee Chair

HONOLULU CITY COUNCIL
Ke Kanihela o ke Kalana o Honolulu
CITY AND COUNTY OF HONOLULU

ADOPTED ON JUL 10 2024

COMMITTEE REPORT NO. 209

HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **19 (2024), FD1, CD1**

A BILL FOR AN ORDINANCE

RELATING TO HOUSING.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose and findings. The purpose of this ordinance is to address housing in the City and County of Honolulu ("City"), including establishing a resident preference in the City's housing programs.

The City Council ("Council") finds that:

(1) A key objective of the O'ahu General Plan (2021), adopted by the Council on December 1, 2021 (approved on January 14, 2022), as required by the Revised Charter of the City and County of Honolulu 1973 (Amended 2017 Edition), as amended, is "[t]o ensure a balanced mix of housing opportunities and choices for all residents at prices they can afford";

(2) The City, having grappled with a critical shortage of affordable housing for residents for decades, has a compelling interest in providing affordable housing for its residents to fulfill the O'ahu General Plan objective; mitigate the displacement and upheaval of O'ahu residents; provide a sufficient workforce to ensure efficient governmental and business functioning; and ensure the stability of O'ahu families and communities;

(3) The median single family home price in the City for April 2024 has increased to $1.1 million – almost three times the national average ($420,800), resulting in a decrease in the number of residents who are able to afford to buy or rent a home on O'ahu and a corresponding increase in O'ahu's homeless population and the number of island residents moving to the mainland;

(4) According to the U.S. Census Bureau, more than 67,257 residents left Hawai'i between 2021 and 2022, and a majority of Native Hawaiians (55 percent) now live outside the State of Hawai'i ("State");

(5) Between July 1, 2020 and July 1, 2023, the City had an average net loss of 9,894 people per year, or an average out-migration of approximately 27 people per day, according to the State Department of Business, Economic Development and Tourism ("DBEDT");

(6) The extreme out-migration of City residents has contributed to a high vacancy rate in many City positions, which negatively impacts optimal City functioning;

(7) The State Department of Human Services' 2023 Point in Time Count determined that the City's homeless rate for 2023 was 40.5 per 10,000 population, which was more than twice the national average and largely due to the lack of affordable housing;

(8) In March 2024, DBEDT estimated that, based on historical trends, 23,999 units would need to be built by 2035 to meet the City's housing demand;

(9) The Council has considered and enacted legislative alternatives to a resident preference policy, such as providing developer incentives and other development mechanisms to speed the development of affordable housing; however, the growth in City residents' need for affordable housing has outpaced the City's ability to provide it using these mechanisms alone;

(10) The Council believes that it is necessary to establish a preference for City residents who participate in various housing programs offered by the City, to the extent allowed by law, in order to provide City residents with housing opportunities they can afford pursuant to the O'ahu General Plan objective; stem the rapid out-migration of City residents; provide a sufficient workforce to maintain efficient City functioning; and stabilize O'ahu families and communities; and

(11) Based on the DBEDT analysis, *Hawai'i Population Characteristics 2019*, the Council further believes that a resident preference for City affordable housing programs will not have a significant, adverse, and disproportionate effect on any protected group under the federal or State housing laws or constitutions.

SECTION 2. Chapter 1, Revised Ordinances of Honolulu 2021 ("General Provisions"), is amended by adding a new article to be appropriately designated by the Revisor of Ordinances and to read as follows:

"ARTICLE __: RESIDENT PREFERENCE IN CITY HOUSING PROGRAMS

§ 1-__.1 Purpose.

This article establishes a preference for city residents who participate in various housing programs offered by the city, to the extent allowed by law.

§ 1-__.2 Definitions.

For the purposes of this article, the following definition applies unless the context clearly indicates or requires a different meaning.

City Resident. Any individual who has a stated intent to reside or be domiciled in the city.

§ 1-__.3 Preference Policy.

It is the policy of the city to ensure that every program or initiative that promotes or is intended to promote the provision of housing, and that was created, developed, implemented, administered, required, supervised, managed, or guided by the city must, to the greatest extent allowable under law, include a preference for city residents. This policy instills only a preference for city residents and does not exclude non-city residents from such programs or initiatives. This preference must be construed broadly to effect the intended purpose of installing the aforementioned preference.

§ 1-__.4 Rules.

The department or agency designated by the mayor to implement this article may adopt rules, pursuant to HRS Chapter 91, to implement this article."

SECTION 3. Section 29-1.4, Revised Ordinances of Honolulu 2021 ("Affordable housing requirement"), is amended by amending subsection (a) to read as follows:

"(a) The affordable housing requirements set forth in Table 29-1.4 of this subsection apply to all projects subject to this chapter pursuant to § 29-1.3. The requirements must be met by satisfying one or a combination of the options in this section subject to the director's approval. If a combination of options is used, the declarant shall designate the proportionate share of the affordable housing requirement that each option will fulfill, and the sum of the proportionate shares must equal or exceed one. Fulfillment of the requirement may account for varying unit sizes, lower income ranges, rounding, or other factors, subject to the director's approval, as established in rules adopted pursuant to § 29-1.11. Affordable for-sale dwelling units must be owner occupied.

A BILL FOR AN ORDINANCE

TABLE 29-1.4
AFFORDABLE HOUSING REQUIREMENT PROVISIONS, AS A PERCENTAGE OF THE TOTAL NUMBER OF DWELLING UNITS IN THE PRINCIPAL PROJECT

Principal Project Location	For Sale[1] or For Rental[2]	On-Site Production[3]	Off-Site Production[3]	Conveyance of Land
The following requirements take effect on April 3, 2018.				
IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both[4]	For Sale	30 percent[5]	~~[30 percent[8,5]]~~ 30 percent[7,5]	~~[Conveyance of land[12]]~~ Conveyance of land[11]
			~~[35 percent[9,6]]~~ 35 percent[8,5]	
		20 percent[6]	~~[20 percent[8,6]]~~ 20 percent[7,6]	
			~~[25 percent[9,6]]~~ 25 percent[8,6]	
		~~[10 percent[7]]~~	~~[10 percent[8,7]]~~	
			~~[15 percent[9,7]]~~	
	For Rental	15 percent		
All areas, excluding IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both	For Sale	15 percent[5]	~~[15 percent[10,5]]~~ 15 percent[9,5]	~~[Conveyance of land[12]]~~ Conveyance of land[11]
			~~[20 percent[11,5]]~~ 20 percent[10,5]	
		10 percent[6]	~~[10 percent[10,6]]~~ 10 percent[9,6]	
			~~[15 percent[11,6]]~~ 15 percent[10,6]	
		~~[5 percent[7]]~~	~~[5 percent[10,7]]~~	
			~~[10 percent[11,7]]~~	
	For Rental	5 percent		

(1) For-sale affordable dwelling units must be sold to households earning 120 percent and below of the AMI. At least one-half of those units must be sold to households earning 100 percent and below of the AMI.

(2) For-rental affordable dwelling units must be rented to households earning 80 percent and below of the AMI.

(3) Any on-site or off-site affordable dwelling unit provided through substantial rehabilitation will count as one unit.

TABLE 29-1.4 AFFORDABLE HOUSING REQUIREMENT PROVISIONS, AS A PERCENTAGE OF THE TOTAL NUMBER OF DWELLING UNITS IN THE PRINCIPAL PROJECT				
Principal Project Location	**For Sale[1] or For Rental[2]**	**On-Site Production[3]**	**Off-Site Production[3]**	**Conveyance of Land**

(4) The affordable housing requirements for IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, are base affordable housing requirements. If affordable dwelling units are being provided as a community benefit to justify increased height or density, or both, the affordable dwelling units being provided as a community benefit must be in addition to the base affordable housing requirements for IPD-T, PD-T, or TOD special district projects.

(5) For-sale affordable dwelling units must remain affordable for not less than [~~five~~] 10 years after the date when the unit is initially sold to a qualified buyer.

(6) For-sale affordable dwelling units must remain affordable for not less than [~~10~~] 15 years after the date when the unit is initially sold to a qualified buyer.

[~~(7) For-sale affordable dwelling units must remain affordable for not less than 30 years after the date when the unit is initially sold to a qualified buyer.~~

~~(8)~~] (7) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project.

[~~(9)~~] (8) Applies to off-site production of affordable housing that is located outside of the rail transit station area in which the principal project is located.

[~~(10)~~] (9) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located within the same development plan area as the principal project.

[~~(11)~~] (10) Applies to off-site production of affordable housing that is located outside of the rail transit station area in which the principal project is located; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located outside of the development plan area in which the principal project is located.

[~~(12)~~] (11) The appraised value of the real property conveyed must, at a minimum, be equal to an amount that will be established and may be periodically adjusted by rules adopted by the director pursuant to [~~Section~~] § 29-1.11.

"

SECTION 4. Ordinance material to be repealed is bracketed and stricken. New ordinance material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.

A BILL FOR AN ORDINANCE

SECTION 5. This ordinance takes effect upon its approval.

INTRODUCED BY:

Tyler Dos Santos-Tam

Radiant Cordero

DATE OF INTRODUCTION:

March 15, 2024
Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____day of _____, 20 _____.

RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:
Housing; Resident Preference; City Resident Definition; Affordable Rental Housing Projects Rates; For-Sale Affordable Dwelling Units; Duration of Affordability Requirements; Rulemaking Authority

Description:
Establishes a City resident preference policy for City housing programs. Defines "City Resident." Explains reasons for the policy. Authorizes the department or agency designated by the Mayor to adopt administrative rules to implement the policy. Removes the option for developers to satisfy the City's affordable housing requirements by producing affordable housing that must remain affordable for 30 years. Increases the length of time that for-sale affordable dwelling units must remain affordable by an additional five years.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.