

HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 4 (2 0 2 6)

A BILL FOR AN ORDINANCE

RELATING TO INCENTIVES FOR THE CONSTRUCTION OF AFFORDABLE RENTAL HOUSING.

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

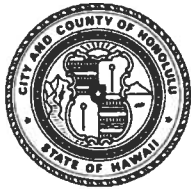
SECTION 1. Purpose and findings. The purpose of this ordinance is to address incentives for the construction of affordable rental housing in the City and County of Honolulu ("City").

The City Council ("Council") finds that while the pre-construction subsidy and post-construction grant programs established in Chapter 32, Revised Ordinances of Honolulu 2021, are intended to incentivize the development of affordable rental housing projects, the current level of subsidies and grant awards does not sufficiently offset the costs of developing affordable rental housing projects. The direct and indirect costs to develop affordable rental housing projects have significantly increased; thus, increasing the pre-construction subsidy and post-construction grant amounts for the development of affordable rental housing projects would help to offset the higher costs of development. Furthermore, increasing the construction subsidy and grant amounts would support the development of smaller projects that would not benefit from economies of scale, and increasing the construction subsidy and grant amounts for larger housing units would support projects that provide larger two- and three-bedroom housing units, which are less frequently developed but address a critical community need.

Accordingly, the Council finds that amendments to certain financial incentives for affordable rental housing projects are necessary to encourage and expedite the construction of these projects.

SECTION 2. Section 32-4.2, Revised Ordinances of Honolulu 2021 ("Post-construction grant"), is amended by amending subsection (c) to read as follows:

"(c) *Post-construction grant.* The owner of the zoning lot on which an affordable rental housing project is situated may apply for a post-construction grant under this subsection after a certificate of occupancy has been issued for the affordable rental housing project in accordance with the following provisions:

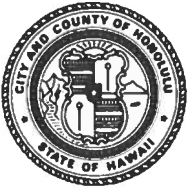


HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____
BILL 4 (2026)

A BILL FOR AN ORDINANCE

- (1) ~~[Post-construction grant amount:]~~ An owner may be eligible to receive a post-construction grant in the following amounts:
- (A) For affordable rental housing units that are less than 300 square feet in size, ~~[the owner is eligible to receive]~~ \$40 per square foot of dwelling unit floor area; [and]
 - (B) For affordable rental housing units that are 300 square feet or more in size, ~~[the owner is eligible to receive \$12,000 per affordable rental housing unit.]~~ but less than 350 square feet in size, \$45 per square foot of dwelling unit floor area;
 - (C) For affordable rental housing units that are 350 square feet or more in size but less than 650 square feet in size, \$50 per square foot of dwelling unit floor area; and
 - (D) For affordable rental housing units that are 650 square feet or more in size, \$55 per square foot of dwelling unit floor area.
- (2) To apply for a post-construction grant, no earlier than the date of issuance of a certificate of occupancy for the affordable rental housing project, and no later than 12 months after the issuance of a certificate of occupancy, the owner shall submit to the department of planning and permitting a post-construction grant application for the project in a form prescribed by the director of planning and permitting. At a minimum, the post-construction grant application must include:
- (A) The building permit number or professional self-certification number issued for the affordable rental housing project; and
 - (B) The certificate of occupancy number issued for the affordable rental housing project.
- (3) Upon receipt of the post-construction grant application for an affordable rental housing project, the department of planning and permitting ~~[shall]~~ must certify project eligibility for the post-construction grant~~;~~ and review and process the grant application~~[, and calculate]~~ before calculating the post-construction grant amount the project is eligible for.



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

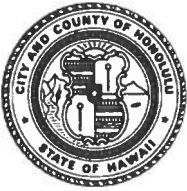
BILL 4 (2 0 2 6)

A BILL FOR AN ORDINANCE

- (4) For all affordable rental housing projects eligible for a post-construction grant, the director of planning and permitting shall send the following to the director of budget and fiscal services:
- (A) ~~[Certification]~~ A certification that the affordable rental housing project is eligible for the post-construction grant, together with a copy of the project's post-construction grant application;
 - (B) The building permit number or professional self-certification number issued for the affordable rental housing project;
 - (C) The certificate of occupancy number issued for the affordable rental housing project; and
 - (D) The total post-construction grant amount payable, and the calculation thereof.
- (5) The director of budget and fiscal services shall pay, or cause to be paid, the post-construction grant amount to the owner no later than 30 days after receipt of the information set forth in subdivision (4) from the director of planning and permitting."

SECTION 3. Section 32-5.2, Revised Ordinances of Honolulu 2021 ("Pre-construction subsidy"), is amended by amending subsection (c) to read as follows:

- "(c) *Pre-construction subsidy.* The owner may apply for a pre-construction subsidy under this subsection after a building permit or professional self-certification has been issued, or a special assignment inspection has been approved, for the affordable rental housing project in accordance with the following provisions:
- (1) An owner who has been awarded a pre-construction subsidy is not eligible for a post-construction grant pursuant to Article 4 for the same affordable rental housing project.
 - (2) ~~[Pre-construction subsidy amount.]~~ An owner may be eligible to receive a total of \$50,000 for each unit; pre-construction subsidy in the following amounts:
 - (A) For affordable rental housing units that are less than 300 square feet in size, \$50,000 for each unit;



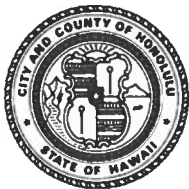
HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 4 (2026)

A BILL FOR AN ORDINANCE

- (B) For affordable rental housing units that are 300 square feet or more in size but less than 350 square feet in size, \$55,000 for each unit;
 - (C) For affordable rental housing units that are 350 square feet or more in size but less than 650 square feet in size, \$60,000 for each unit;
and
 - (D) For affordable rental housing units that are 650 square feet or more in size, \$62,500 for each unit.
- (3) A pre-construction subsidy may only be used for purposes of paying prevailing wages to every laborer and mechanic performing work on the job site for the construction of the affordable rental housing project, in compliance with HRS Chapter 104.
- (4) An owner must apply for a pre-construction subsidy during the 12-month period following the issuance of the building permit or professional self-certification, or the approval of the special assignment inspection, for the affordable rental housing project. To apply for a pre-construction subsidy, ~~[no earlier than the date of issuance of a building permit or professional self-certification for the affordable rental housing project, and no later than 12 months after the issuance of a building permit or professional self-certification,]~~ the owner ~~[shall]~~ must submit to the department of planning and permitting a pre-construction subsidy application for the project in a form prescribed by the director of planning and permitting. At a minimum, the pre-construction subsidy application must include:
- (A) A current title report for the property~~[:]~~ and a description of the affordable rental housing project, including but not limited to location, zoning lot tax map key number, underlying zoning district, height, density, the number of affordable units at each AMI level, and whether there is a commercial component to the project;
 - (B) The building permit number or professional self-certification number issued for the affordable rental housing project~~[:]~~, or, if construction is proceeding under a special assignment inspection, the building permit application number and a copy of the approved special assignment inspection; and



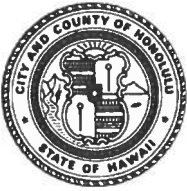
HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 4 (2026)

A BILL FOR AN ORDINANCE

- (C) The total estimated cost of the affordable rental housing project and all sources of funding for the project.
- (5) Upon receipt of the pre-construction subsidy application for an affordable rental housing project, the department of planning and permitting ~~[shall]~~ must certify project eligibility for the funding~~[-]~~ and review and process the subsidy application~~[-, and calculate]~~ before calculating the subsidy amount for which the project is eligible.
- (6) All pre-construction subsidy awards are subject to the execution of a written pre-construction subsidy agreement between the city and the owner. At a minimum, the pre-construction subsidy agreement must include provisions:
 - (A) Restricting the use of the pre-construction subsidy moneys in accordance with subdivision (3);
 - (B) Requiring that annual payroll records be submitted to the director of planning and permitting, due by September 30 of each year, consisting of a certified copy of all payrolls and a certified copy of a fringe benefit report in compliance with HRS § 104-3;
 - (C) Requiring the owner to obtain a certificate of occupancy for the affordable rental housing project within 24 months after the issuance of a building permit or professional self-certification for the project~~[-]~~, or within 24 months after the approval of the special assignment inspection; provided that the director of planning and permitting, at the director's discretion, may extend this 24-month period if the owner demonstrates good cause;
 - (D) Requiring that the owner develop and manage the affordable rental housing project in compliance with all applicable laws, rules, regulations, and other governmental requirements;
 - (E) Providing that if the owner breaches or otherwise violates any terms of the pre-construction subsidy agreement, the owner shall forfeit and return all the pre-construction subsidy moneys received in accordance with the penalty provisions set forth in § 32-5.4(c); ~~[and]~~



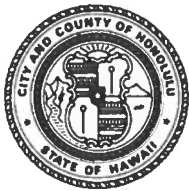
HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 4 (2026)

A BILL FOR AN ORDINANCE

- (F) Providing that the director of budget and fiscal services may, from time to time at the director's discretion, conduct an audit of the use of the pre-construction subsidy moneys to determine compliance with the requirements of this article and the applicable pre-construction subsidy agreement, and require the owner to cooperate with the audit and provide any information requested by the director~~[-];~~ and
- (G) Requiring the owner to secure and pay for a project completion bond that ensures the full completion of the affordable rental housing project in accordance with the plans approved by the department of permitting and planning. The project completion bond must:
- (i) Be issued by a surety company admitted and licensed in the State that possesses a policyholder rating of A or better and a financial rating of VIII or better, where the ratings are established by A.M. Best Company, Inc.;
 - (ii) Be executed on a form approved by the director; and
 - (iii) Identify the city as the obligee under the completion bond.
- (7) For all affordable rental housing projects eligible for pre-construction subsidies, upon the execution of a pre-construction subsidy agreement pursuant to subdivision (6), the director of planning and permitting shall transmit the following to the director of budget and fiscal services:
- (A) ~~[Certification]~~ A certification that the affordable rental housing project is eligible for the pre-construction subsidy, together with a copy of the project's pre-construction subsidy application;
 - (B) The building permit number or professional self-certification number issued for the affordable rental housing project~~[-];~~ or, if construction is proceeding under a special assignment inspection, the building permit application number and a copy of the approved special assignment inspection;
 - (C) A copy of the fully executed pre-construction subsidy agreement for the affordable rental housing project; and



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

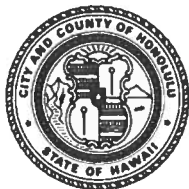
ORDINANCE _____

BILL 4 (2026)

A BILL FOR AN ORDINANCE

- (D) The total pre-construction subsidy amount payable, and the calculation thereof.
- (8) All pre-construction subsidy awards are subject to the execution of a written pre-construction escrow agreement by the city (as grantor), the owner (as grantee), and an escrow agent. At a minimum, the pre-construction escrow agreement must include a provision for periodic disbursements of the pre-construction subsidy pro rata in proportion to the prevailing wages paid to date, as evidenced by the submission of certified payroll records."

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.



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 4 (2026)

A BILL FOR AN ORDINANCE

SECTION 5. This ordinance takes effect upon its approval.

INTRODUCED BY:



DATE OF INTRODUCTION:

JAN 9 2026
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:

Affordable Rental Housing; Pre-Construction Subsidy; Post-Construction Grants; Project Completion Bond; Department of Planning and Permitting ("DPP"); Department of Budget and Fiscal Services ("BFS")

Description:

Amends ROH Chapter 32, Articles 4 and 5, by revising the post-construction grant and pre-construction subsidy amounts, respectively, that an owner may be eligible to receive for the construction of affordable rental housing units. Amends the pre-construction subsidy requirements by adding a requirement for the owner to obtain a project completion bond.

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