

DEPARTMENT OF HOUSING AND LAND MANAGEMENT
KA 'OIHANA HO'OLĀLĀ KŪKULU HALE A ME KA HO'OKELE 'ĀINA
CITY AND COUNTY OF HONOLULU

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September 21, 2026

The Honorable Andria Tupola, Chair
and Members
Committee on Housing, Homelessness & Parks
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Tupola and Councilmembers:

**SUBJECT: Comments on Bill 11 (2026), Proposed CD1, Relating to
Affordable Housing Incentives**

The Department of Housing and Land Management (DHLM) appreciates the opportunity to testify on Bill 11 (2026), Proposed CD1.

We share the Council's view that the public deserves to know whether the City is getting good value from its housing incentives. As drafted, however, Bill 11 would not answer that question, and it would require a large, costly semiannual ledger that risks being more misleading than enlightening. Work already underway is better suited to the task. The University of Hawai'i Economic Research Organization (UHERO), with DHLM's support, has built a model that tests the extent to which certain incentives actually make housing feasible. For the reasons further explained below, we recommend that the Committee not advance the bill.

The bill does not ask whether an incentive made a difference.

Bill 11 would require DHLM to produce a ledger of every housing project with units offered to households at or below 140 percent of area median income (AMI), listing, and attempting to value, every incentive each project received. But the central question for any incentive is whether it changed the outcome: whether the project, or its affordable units, would have been built anyway. An incentive that closes a real financing gap is a sound investment. One that does not is a windfall.

A ledger cannot answer that question. Answering it requires knowing what a developer could have built under ordinary rules, on what timeline, and with what

financing, all of which vary by neighborhood, project type, and market cycle. Attempting that kind of analysis on a project-by-project basis would be prohibitively expensive, and the answers would still be guesses. Instead, it is more feasible to do it at the program level, by modeling project finances on consistent assumptions, comparing outcomes with and without an incentive, and examining results before and after policy changes.

This work is already underway. With support from DHLM, UHERO has developed a prototype parcel-level financial model that tests whether housing is feasible with and without a given incentive. In the Bill 7/Chapter 32 context, UHERO applied the model to 62 small urban parcels. The model found that most were infeasible under standard zoning but many became feasible with Chapter 32's incentives, raising expected production from roughly 100 units to nearly 1,700.

The model has limits. It cannot assess every type of incentive, and its results depend on assumptions about rents, costs, and interest rates. But it is a strong foundation. Building on it would serve the public better than a new, time-consuming reporting requirement that is not designed to reveal whether the City's housing incentives are working.

Per-project dollar values would be costly and unreliable.

The bill requires an estimated dollar value for every non-monetary incentive, the method used to reach it, and a notation of any difference between the value provided by the City and the value to the developer. For grants, loans, tax exemptions, and fee waivers, value is knowable. For zoning and regulatory relief, it is not, at least not with precision, and not every six months for every project.

Consider a parking reduction. The cost to the City is close to zero; no money leaves the treasury. The value to the developer may be large: the avoided cost of building stalls, plus whatever can be built in their place. Both figures are real, and they are supposed to differ. But the second depends on land prices, construction costs, rents, and financing terms that the City does not hold and that developers often treat as confidential. Height and density allowances, building code alternatives, and faster permitting raise the same problem.

The scope is broader than is feasible.

Attachment A lists more than 40 programs, exemptions, and approvals that could fall within Bill 11's open-ended ("included but not limited to") definition of "incentive." And the bill's language is broad enough to capture projects built decades ago that still receive an ongoing incentive, such as a property tax exemption, and incentives

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administered by other departments—including State and federal departments—that have no duty to share data with DHLM. Identifying and valuing every incentive for every project would be an enormous undertaking that would produce little actionable insight.

Based on the foregoing, we respectfully ask the Committee not to advance Bill 11. Mahalo for your consideration. If you have any questions, please feel free to contact Gavin Thornton, Director of Housing Policy, at (808) 768-4277.

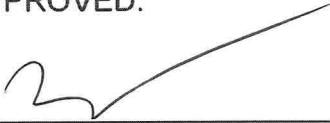
Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin D. Auger', written over a horizontal line.

Kevin D. Auger
Director

Attachment

APPROVED:

A handwritten signature in black ink, appearing to read 'Krishna F. Jayaram', written over a horizontal line.

Krishna F. Jayaram, Managing Director
Office of the Managing Director

Attachment A

Potential “Incentives” Under Bill 11 (2026), Proposed CD1

City financial assistance

1. Affordable Housing Fund grants and loans
2. Chapter 32 per-unit grants
3. Private activity bond allocations
4. City general obligation or revenue bonds for housing
5. CDBG funds
6. HOME and HOME-ARP funds
7. Other HUD entitlement funds used for housing (e.g., HOPWA)
8. Federal recovery funds for acquisition or development
9. Other special funds and capital appropriations
10. Below-market ground leases of City land
11. City land acquisition or conveyance for housing
12. Predevelopment funding and performance mortgages
13. City-funded infrastructure serving a project

Real property tax

14. Affordable rental housing exemption
15. Construction-period exemption
16. Long-term affordable rental dedication
17. Low-income rental, nonprofit, and 201H exemptions

Fees and charges

18. Building permit fee waivers
19. Plan review fee waivers
20. Wastewater system facility charge waivers
21. Water system facilities charges
22. Park dedication waivers
23. Grading, grubbing, and stockpiling fees
24. Subdivision fees
25. Fee deferrals

Development standards and regulatory relief

26. Height and density relief under Chapter 32
27. Setback, yard, open space, and loading relief
28. Parking reductions, program-specific and as-of-right
29. Chapter 29 incentives and offsets

- 30. TOD special district bonuses for community benefits
- 31. Interim planned development-transit permits
- 32. Planned development-transit permits
- 33. Cluster and planned development housing
- 34. Variances, conditional use, and special district permits
- 35. Building code alternatives and modifications
- 36. Expedited, priority, or third-party permit review

Agreements and other

- 37. HRS § 201H-38 exemptions approved by Council resolution
- 38. Development agreements
- 39. Unilateral agreements and zone-change conditions
- 40. Public-private partnership agreements

State and federal

- 41. Low-income housing tax credits, federal and State
- 42. Rental Housing Revolving Fund loans
- 43. Dwelling Unit Revolving Fund
- 44. General excise tax exemption
- 45. Hula Mae multifamily bonds
- 46. Project-based vouchers, Sections 202 and 811, USDA, FHLB, Opportunity Zones