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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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November 4, 2026

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: Testimony in Opposition to Bill 11 (2026), CD1, Relating to Affordable Housing Incentives

The Department of Housing and Land Management (DHLM) respectfully opposes Bill 11 (2026), CD1.

DHLM supports transparency in the City's housing incentives. Real transparency would show, for each incentive program, whether the incentive is what allowed a project to be built and make its homes more affordable. That analysis must ask:

- Would the project have been built without the incentive?
- Did the incentive lower rents or prices, and for whom?
- If the incentive did generate desired results, was it the most cost-effective way to achieve them?

Bill 11's fundamental flaw is that it never asks those questions. Its broad language attempts to capture an exhaustive "included but not limited to" ledger of information that will ultimately reveal very little of value, but will require significant staff time and resources, including $150,000 set aside in a Council budget proviso should the bill pass.

Bill 61 (2026), on the Council's November 5 agenda for first reading, shows the problems with Bill 11. Bill 61 proposes to increase property tax exemptions provided to developers of affordable housing under Chapter 32 by eliminating the current 15-year limit and letting the exemption run for as long as the units remain under their restrictive covenants. To decide whether that tax break makes sense, we need to ask: will it produce more of the units we want and greater affordability? If not, it's just a giveaway.

Bill 11 wouldn't answer that question. It would tell you how many units were in the project and how much the tax exemption was worth. It wouldn't tell you whether the increased

tax exemption is likely to increase the number of units and by how much. Finding the answer to that question is more complex than coming up with a Bill 11 ledger. But the City would be better served by putting its resources into a narrowly scoped analysis like that, one that yields genuinely useful information, than into an impossibly broad report that tells the Council next to nothing.

Bill 11 is difficult to fix through amendment because its flaw lies in its basic design rather than its details. A broad, project-by-project ledger of incentives cannot show whether those incentives work, however its definitions are adjusted. Narrowing the definitions would make the ledger smaller, but it would still record what the City gave without showing what the City got in return. A better course is to choose one or two incentives, such as the affordable rental property tax exemptions that Bill 61 would extend and request an analysis of whether they are producing more housing and greater affordability at a reasonable cost. DHLM would welcome that assignment.

For these reasons and those explained below, we respectfully ask the Council not to pass Bill 11.

The bill's definitions are too broad to produce a meaningful report, likely encompassing most of O'ahu's housing stock.

Bill 11 reaches far beyond the housing the Council is likely concerned about:

- **"Affordable housing project" covers most of the housing market.** The bill defines it as "[h]ousing offered for-sale or for-rent to households earning 140 percent or below of the AMI." Roughly three-quarters of O'ahu households earn at or below that level. For a household of four, 140 percent of AMI is $215,600 a year, and the corresponding two-bedroom rent is $4,851 a month. All housing is included, from an ADU in someone's backyard to a high-rise, regardless of whether its rents or prices are restricted by a regulatory requirement or simply set by the market.

- **"Incentive" covers almost any approval or exemption a project receives.** The bill defines it as "[a]ny benefit, subsidy, waiver, exemption, or other type of assistance," expressly including adjustments to the development standards of the Land Use Ordinance. That would include, for example, a variance granted because a lot is unusually shaped or steep, and the bill would require DHLM to estimate the dollar value of that specific variance. It would require similar valuations for approvals ranging from a fee waiver to expedited permitting to a public-private partnership agreement. Attachment A lists 79 kinds of benefits that could qualify.

- **The report must reach back indefinitely.** It must include "all past information" for each project, with no limit on how long ago the housing was built.

If the intent is narrower–for example, a going-forward report on a specific set of incentives–the bill should be amended accordingly.

The bill doesn't pass the test the Council's own research office has offered for new reports.

In April 1995, the Office of Council Services published an issue profile, *Reporting Requirements of City Agencies* (available at https://www.honolulu.gov/ocs/wp-content/uploads/sites/42/2024/01/reptreq.pdf). It counted 73 reporting requirements as of January 1995. There are now nearly 80 recurring reports required. Bill 11 would add another.

The issue profile encouraged the Council to ask four questions before requiring a new report:

1. Do benefits outweigh preparation costs?
2. How frequently should reports be prepared?
3. Should the reporting requirement be codified in ordinance?
4. How will the Council use the reports and ensure the requirements continue to be worthwhile?

Those questions are worth asking here. The preparation costs would be large and recurring, and the bill does not say how the Council would use the reports–the only purpose stated is to "require the reporting of affordable housing incentives to the City Council." The issue profile also advised that information needed only once is generally better requested by resolution than codified in ordinance.

Learning whether incentives deliver value calls for a different approach.

Reporting alone, especially in the project-by-project ledger format Bill 11 requires, will not help house O'ahu residents or show whether taxpayer resources are used effectively. If the goal is to learn whether the City gets good value from its housing incentives, better tools exist.

One is the financial feasibility model that the University of Hawai'i Economic Research Organization (UHERO) has been developing with DHLM's support. It works through the finances behind housing development, so it can show what type and level of incentive it takes to get the housing we want. Applied to the Chapter 32 program on 62 small urban parcels, the model found that most projects 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. Incentives are numerous and interrelated, and the answers are often not a simple yes or no, so the analysis must account for that complexity. As UHERO continues to refine its model, it has the potential to be extended to additional incentives. Investing in efforts like this would reveal more and be more valuable than a Bill 11 ledger.

Another approach is to build a shared understanding of the City's affordable housing incentives before prescribing a method to evaluate them. A permitted interaction group could map the programs and incentives, find out what information exists for each, and sharpen the questions worth asking. The Council could also choose specific programs or incentives to analyze rather than casting a net too wide to manage.

Based on the foregoing, we respectfully ask the Council not to pass Bill 11. If passed, DHLM will comply, but as explained above, the report will be of little to no value to the Council. Mahalo for your consideration. If you have any questions, please contact Gavin Thornton, Director of Housing Policy, at (808) 768-4277.

Sincerely,

Kevin D. Auger
Director

Attachment

APPROVED:

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

Attachment A: Potential "Incentives" Under Bill 11 (2026), 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 bond proceeds
5. CDBG funds
6. HOME and HOME-ARP funds
7. Other HUD entitlement funds (e.g., HOPWA, ESG)
8. Federal recovery funds passed through the City
9. Other special funds and capital appropriations
10. Predevelopment funding and performance mortgages
11. City-funded infrastructure serving a project
12. Brownfields assessment or cleanup funds, where City-administered

City land and property

13. Below-market ground leases of City land
14. City land acquisition or conveyance for housing
15. Sale or lease of remnant parcels, easements, or air rights below market value
16. Use of City right-of-way under encroachment or revocable permits

Real property tax

17. Affordable rental housing exemption
18. Construction-period exemption
19. Long-term affordable rental dedication
20. Low-income rental, nonprofit, and 201H exemptions
21. Historic residential property dedication
22. Home exemptions claimed by owner-occupants of for-sale units, under a literal reading of the bill

Fees and charges

23. Building permit fee waivers
24. Plan review fee waivers
25. Wastewater system facility charge waivers or credits
26. Water system facilities charge waivers or credits
27. Park dedication waivers, or credits for private park space
28. Grading, grubbing, and stockpiling fee waivers
29. Subdivision fee waivers
30. Fee deferrals

Development standards relief tied to affordability

31. Height and density relief under Chapter 32
32. Chapter 29 incentives and offsets
33. TOD special district bonuses for community benefits
34. Interim planned development-transit permits

35. Planned development-transit permits
36. Program-specific parking reductions
37. HRS § 201H-38 exemptions approved by Council resolution

Development standards relief granted for other purposes

38. As-of-right parking reductions
39. Zoning variances based on hardship unique to a lot, such as its shape, size, or topography
40. Zoning adjustments and minor modifications for irregular or constrained lots
41. Setback, yard, open space, and loading relief
42. Floor area or height bonuses for public plazas, open space, or other amenities
43. Special district approvals that allow design-based flexibility
44. Cluster and planned development housing
45. Joint development of adjoining lots
46. Conditional use permits
47. Continuation or expansion of nonconforming uses and structures
48. Shoreline setback variances
49. Subdivision variances and waivers of street or road-widening improvements
50. Zone changes, and the unilateral agreements and conditions attached to them
51. Development agreements

Building and fire codes

52. Building code alternatives and modifications
53. Fire code alternatives and modifications
54. Approval of new construction systems, such as mass timber or modular, through alternate-methods review

Permitting process

55. Expedited or priority review
56. Third-party plan review
57. Self-certification by licensed professionals, where available
58. Concurrent processing of permits
59. Project facilitation or technical assistance from City staff

Agreements

60. Public-private partnership agreements

State (bill requires "if known")

61. State low-income housing tax credits
62. Rental Housing Revolving Fund loans
63. Dwelling Unit Revolving Fund financing
64. General excise tax exemptions
65. HHFDC 201H approvals and exemptions from State requirements
66. Hula Mae multifamily bonds
67. State land conveyed or leased for housing
68. HCDA reserved housing credits and bonuses in Kaka'ako
69. Hawai'i Energy rebates and incentives

Federal (bill requires "if known")

70. Federal low-income housing tax credits
71. Project-based vouchers
72. Section 202 and Section 811 assistance
73. USDA rural housing programs
74. Federal Home Loan Bank Affordable Housing Program awards
75. Opportunity Zone benefits
76. New Markets Tax Credits
77. Federal historic rehabilitation tax credit
78. Federal energy-efficiency tax credits, where still available
79. HUD mortgage insurance (e.g., Section 221(d)(4))