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<td>1. Current Affordable Housing Incentives (City &amp; County of Honolulu)</td>
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Executive Summary

Oahu is experiencing a housing crisis. Our current housing policies, programs, and investments are fragmented and need updating to address escalating needs. The marketplace is not building enough affordable housing to keep up with demand. Many people live in overcrowded homes, spend more than 45% of their incomes on combined housing and transportation costs, or are homeless. Oahu will need more than 24,000 additional housing units to address pent-up demand combined with new household formation. Over 18,000 or 75% of the total projected demand is for households earning less than 80% of area median income (AMI), or $76,650. The demand is largely for rental units. In contrast, only 2,080 building permits per year on average have been issued over the last five years. Most of the homes constructed were for higher income households and for-sale units.

This Islandwide Housing Strategy will address these needs through new and revised policies, incentives, regulations, and investments, in partnership with developers, builders, and other stakeholders.

**Implementing the Housing Strategy will add over 4,000 units to the affordable housing inventory over five years.** If the State continues funding affordable housing projects at a rate similar to the projects currently in the pipeline, and capitalizes on TOD opportunities on state lands, the five-year total increase could be over 8,000 units. If these policies and investment strategies prove effective and are continued over a fifteen year period, the identified demand for 24,000 housing units will be met. Major new initiatives include:

- **Affordable Housing Requirement.** This will apply to all development over a certain threshold. Current regulations (applied only to rezoning) only require affordability to be maintained for ten years. The new requirement will prioritize more affordable rental housing for lower income households, require affordability for a much longer period of time, and have sufficient flexibility to meet developers’ needs.

<table>
<thead>
<tr>
<th>Current Unilateral Agreement Rules</th>
<th>Proposed Islandwide Requirements</th>
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<tr>
<td>Applies to projects needing rezoning at 10 units or more.</td>
<td>Applies to projects needing building permits for 10 units or more, with a different percentage for rental and for-sale. Three options:</td>
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<tr>
<td>Options:</td>
<td></td>
</tr>
<tr>
<td>A minimum of 30% of total units must be affordable to those earning up to 140% of AMI.</td>
<td>CONSTRUCTION ON-SITE: Rental: 15% of the units at up to 80% of AMI For-Sale: 30% of the units at up to 120% of AMI</td>
</tr>
<tr>
<td>Of this 30%, a minimum 20% of the total units must be affordable to those earning up to 120% of AMI, of which 10% of the total units must be affordable to those earning up to 80% AMI.</td>
<td>CONSTRUCTION OFF-SITE: Rental Only: 20% of the units at up to 80% of AMI IN LIEU OF CONSTRUCTION FEE: Fee equivalent to the cost of constructing a percentage of the total units as affordable (amount tbd).</td>
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<tr>
<td>Minimum required period of affordability 10 years.</td>
<td>Minimum required period of affordability 30 to 60 years.</td>
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Note: HCDA Reserved Housing Rules for development in Kakaako require 20% of for-sale units (for 5 years) and 15% of rental units (for 15 years), both at up to 140% of AMI.

**The Vision**

Oahu – Hawaii’s gathering place – will provide housing choices that build community, strengthen neighborhoods, and fit family budgets. All people will have access to shelter on Oahu.
• **Transit-Oriented Development.** Building the rail system is a new driver. A toolkit of financial and zoning incentives will encourage developers to build more affordable housing near the rail stations. City investments in catalytic projects and public-private partnerships will help lead the market.

Applying similar “transit-ready development” principles islandwide will help make sure that growth on the rest of Oahu is also compact, connected and walkable.

• **Accessory Dwellings.** The supply of rental housing in existing neighborhoods will be increased by updating zoning codes to allow accessory dwelling units (ADUs) to be added on existing single-family lots. Like ohana units – but not limited to family members – small cottages, additions, or converted garages will provide well-located, well-managed housing choices plus additional income for owners, or more accessible units for elders to move into as they ‘age in place.’ Between 17,000 and 22,000 rental units could be built under this program.

---

### Strategic Action Plan: Major Initiatives

1. **Increase Workforce Housing Inventory**
   - Adopt new Islandwide Affordable Housing Requirements to require longer affordability period at lower income levels in more projects.
   - Increase affordable housing production and adopt benchmarks.

2. **Increase Low-Income and Homeless Housing Options**
   - Acquire, develop, rehabilitate, and lease Housing First units.
   - Leverage existing HUD funding to implement projects and to better coordinate and target homeless services.

3. **Invest in Better Neighborhoods**
   - Develop affordable and workforce housing in mixed-use, mixed-income catalytic TOD projects, using public-private partnerships.
   - Adopt a housing finance toolkit with incentives to stimulate private investment.
   - Rehabilitate existing housing and invest in neighborhood infrastructure.

4. **Update Policies and Regulations to Promote Housing Production**
   - Adopt Neighborhood TOD Plans and update ordinances, zoning and parking requirements to make it easier to build mixed-use projects near rail stations.
   - Expand zoning for multi-family, ohana and accessory dwelling units (ADUs) for affordable rental housing.
   - Revise housing construction standards and building codes.

5. **Coordinate Implementation and Measure Progress**
   - Establish a strategic development office to fast-track implementation.
   - Track production and inventory of affordable housing.

---

Acting together on this Strategy will help us emerge from our housing crisis and build a more diverse and affordable housing stock over time. The recommended next step, after initial discussion with Council, is to reconvene stakeholder groups for review, present the policy to other interested parties, and then refine the recommendations for submittal to City Council. Adoption of the key principles as a policy will affirm the City’s commitment to the production, preservation and maintenance of well-located affordable and workforce housing.
Introduction

While Oahu has been struggling with the lack of affordable and workforce housing for years, the island has a new opportunity to resolve many of its housing problems in conjunction with the construction of the new rail transit system. Transit-oriented development (TOD) will help transform the neighborhoods along the rail corridor. With the first phase of the rail system planned for completion in 2018, and the full system opening in 2019, acting now to develop updated and new plans, policies, programs, and investment strategies will help address housing needs. Over time, more people will want to live and work within walking distance of a rail station, and that will drive demand for more housing choices. Directing growth toward the transit stations, and including a wide variety of income groups and lifestyles, will simultaneously protect our rural communities and open spaces for future generations. This growth will also include rehabilitation of and additions to existing residential buildings.

Applying transit-ready development principles to any new housing provided in suburban and rural areas will help ensure that all communities are walkable, age-friendly, and connect neighbors and neighborhoods with expanded and enhanced bus service. There is significant potential for increasing the supply of rental housing in existing neighborhoods by updating zoning codes to allow accessory dwelling units (ADUs) to be added on existing single-family lots. Like ohana units – but not limited to family members – small cottages, additions, or converted garages will provide well-located, well-managed housing choices plus additional income for owners, or more accessible units for elders to move into as they ‘age in place’. Planning for the long-term potential for new development to address long-standing housing needs must also be coupled with solving the immediate crisis of homelessness through the Housing First initiative.

The Strategy includes a vision and principles for housing and community building that will be integrated with a variety of public and private plans. It also includes strategic actions to revise policies, regulations, incentives, programs, investments, and financial tools that help increase the supply of affordable and workforce housing, and to address the housing and services issues of homeless families and individuals.

Vision and Principles

Islandwide Housing Vision

This vision outlines goals and principles for producing housing that meets Honolulu’s diverse needs.

Oahu – Hawaii’s gathering place – will provide housing choices that build community, strengthen neighborhoods, and fit family budgets. All people will have access to shelter on Oahu.

- **Transit-oriented and transit-ready development** will revitalize, enhance, and stabilize existing urban and suburban neighborhoods and rural towns; increase the supply and long-term affordability of a range of housing types and sizes; and reduce combined housing, transportation, and energy costs.

- **Compact, mixed-use community design** will connect people with jobs, parks, services, and each other; provide more sustainable infrastructure and reduce environmental impacts; protect rural character and quality agricultural lands; and make walking and wheeling easier and safer.

- **Healthy, age-friendly communities** will accommodate keiki to kupuna with housing options that allow older children to live in the communities where they grew up and elders to “age-in-place” or with or near relatives; and will help minimize displacement and unwanted gentrification.
Housing Principles

These islandwide principles for affordable and workforce housing are centered on social equity and are consistent with the broad policy statements within the Hawaii State Plan, Oahu General Plan and Hawaii 2050 Sustainability Plan.

1. **Affordable housing units will be dispersed and mixed.** To avoid creating neighborhoods segregated by income, policies will apply to all geographic areas and development types. Affordable housing will be integrated with market-rate housing, and constructed with diverse incomes, ages, and cultures in mind. More variety in building types will include row houses and townhouses, ohana units for extended families, accessory dwellings units (ADUs) such as cottages and additions on existing lots, micro-units, and modular homes.

2. **Investment of public funds and use of public lands will focus on producing rental housing for families earning less than 80% Area Median Income (AMI).** Most affordable housing construction will likely be initiated by private and non-profit developers, coordinated and monitored by State and City agencies, and supported by targeted public investment. The Housing First initiative will be expedited to address the housing and service needs of homeless families and individuals.

3. **New construction and preservation and rehabilitation of existing affordable units will be encouraged** through land use ordinance and zoning code updates. This will focus on affordable housing in compact mixed-use development near transit stations. Development will provide additional affordable housing, active streetscapes, and usable open space in return for appropriate increases in density and height. Parking requirements will be reduced to lower housing costs and encourage walking, biking, and transit use.

4. **New affordable housing requirements** will require a smaller percentage of affordable units, but apply across more projects, serve lower income ranges, and maintain affordability for a longer period of time than the current Unilateral Agreement rules require.

5. **Housing will connect people to places,** and help build strong communities, where people care about their neighbors, their neighborhoods, and the environment. It will be located in walkable, accessible neighborhoods with good transit service.

The rail system is an opportunity to create new housing types for a mix of incomes and household sizes, while preserving and improving existing affordable housing. TOD will reduce total housing and transport costs. Apart from the cost savings of not owning a vehicle (estimated at $7,000 annually), there may be other opportunities for savings that private partners can provide. For example, mortgage lenders may offer “location-efficient” mortgages, meaning that people purchasing homes near transit stations may qualify for higher loans at lower costs. Implementation of the vision requires working collaboratively with others who are also committed to the production, preservation and maintenance of affordable housing on Oahu.

**Background and Needs**

**Background**

This Strategy responds to City Council Resolutions 13-274 to develop an affordable housing policy for transit-oriented development (TOD) districts; 13-168, CD1 to amend the unilateral agreement policy; and 14-28 to establish an affordable housing strategy. It was developed by the City’s Office of Housing (HOU), Department of Planning and Permitting (DPP), Department of Community Services (DCS) and Budget and Fiscal Services (BFS). Other partners provided guidance, and will assume key roles in implementing the Strategic Action Plan. This includes City departments that provide services and
infrastructure to residential properties like the Department of Transportation Services (DTS), Environmental Services (ENV) and the Board of Water Supply (BWS). It also includes State agencies such as Hawaii Housing Finance and Development Corporation (HHFDC), Office of Planning (OP), Hawaii Public Housing Authority (HPHA), Hawaii Community Development Authority (HCDA), and the Department of Accounting and General Services (DAGS), as well as the US Department of Housing and Urban Development (HUD). Given that public funding has historically only produced a small amount of affordable units, our most important partners are the non-profit and private developers, service providers, and design and construction professionals. Many of these partners participated in a series of stakeholder group meetings to provide input on key elements of the Strategy.

The Strategy is also based on the work of housing task forces and committees convened previously over the past ten years, including:

- Governor’s Affordable Housing Task Force (2004-2005)
- Hawaii State Legislature’s Joint Legislative Housing and Homeless Task Force (2005-2006)
- City and County of Honolulu’s Affordable Housing Advisory Committee (2006)
- City Auditor Recommendations (2007)
- Governor’s Affordable Housing Regulatory Barriers Task Force (2008)
- Mayor’s Affordable Housing Advisory Group (2008)
- Equitable TOD Fund Housing Fund Strategy (2013)

Existing data was assembled from the University of Hawaii’s Economic Research Organization (UHERO) construction projections, the 2010 Affordable Housing Trend Report prepared by Helbert Hastert & Fee; Hawaii Housing Planning Study, 2011, prepared by SMS Research and Marketing Services, Inc.; City and County of Honolulu Homeless Point-in-Time Count 2013; Affordable Rent Guidelines 2014, established by HUD for Honolulu County; the draft 2014 Community Benefit Program Economic Analysis: Ala Moana TOD Planning Area prepared by Keyser Marston Associates, Inc.; Honolulu Transit-Oriented Development (TOD) Scenarios Study prepared by Pacific Resources Partnership and Calthorpe Associates in 2013; and, the Office of Hawaiian Affairs (OHA) Hawaii Renters Study 2014. It also includes data and anecdotal information collected during stakeholder meetings held with housing advocates, developers, public, and government partners during TOD planning meetings and exercises. Finally, it reflects the findings from an on-line self-selected survey of housing needs conducted by the DPP in 2014.

Demographics and Housing Needs

Oahu’s population continues to increase annually. Projections suggest that we can expect as many as 5,000 new residents every year between 2010 and 2040 (DBEDT, 2012). Over the last decade, single family detached homes have accounted for the majority of new construction, about 64%, with attached and multifamily homes making up the other 36% (US Census, 2010). However, married couples with children, the primary market for single-family detached homes, now account for only 22% of all Oahu households (US Census, 2010), a proportion that continues to shrink each year. By contrast, the proportion of singles, single parents, empty nesters, and seniors — many of whom prefer more compact single family and multifamily housing types — has grown steadily (PRP and Calthorpe, 2013). The City’s projections forecast the number of one-and two-person households to climb from 55% today to 60% by 2035.

The fastest growing cohort includes people over 65 years old. This group is expected to increase from 14.5% to 23.6% of Hawaii’s total population between 2010 and 2040. The growing elderly population will have strong implications for the affordable housing supply, typology and location. The City has convened an Age Friendly City initiative to help address this issue. The second fastest growing cohort is the ‘Echo Boomers’ (or millennials, born after 1980), i.e., those young people who are just beginning to form their own households and are looking for compact, affordable rental units in walkable neighborhoods close to
town and near mass transit and bicycle lanes. They are deferring home purchases, and may require down payment assistance due to lifestyle choices in early adulthood, along with overall economic conditions which precluded wealth accumulation.

Figure 1 identifies the latent demand for housing for different household income ranges, to address pent-up demand combined with new household formation. Oahu needs over 24,000 additional housing units, with over 18,000 or 75% of the total projected demand for households earning less than 80% of area median income (AMI). This need contrasts with actual housing production: building permits have averaged approximately 2,080 per year over the last five years, with most of the homes constructed for higher income households.

Figure 1: Projected Demand for Housing Units 2012-2016, City and County of Honolulu
(Based on HUD’s Area Median Income (AMI), prepared by DCS)

<table>
<thead>
<tr>
<th>Maximum AMI 1</th>
<th>&lt;30% AMI plus HPIT</th>
<th>&lt;50% AMI</th>
<th>&lt;80% AMI</th>
<th>&lt;120% AMI</th>
<th>&lt;140% AMI</th>
<th>140% + AMI</th>
<th>Total Units</th>
</tr>
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<tbody>
<tr>
<td>Single-family</td>
<td>887</td>
<td>277</td>
<td>1,499</td>
<td>643</td>
<td>752</td>
<td>1,143</td>
<td>5,201</td>
</tr>
<tr>
<td>Multi-family</td>
<td>963</td>
<td>392</td>
<td>539</td>
<td>286</td>
<td>294</td>
<td>565</td>
<td>3,039</td>
</tr>
<tr>
<td>Ownership Units 2</td>
<td>134</td>
<td>69</td>
<td>183</td>
<td>0</td>
<td>0</td>
<td>287</td>
<td>673</td>
</tr>
<tr>
<td>Homeless: family &amp; individuals 3</td>
<td>4,712</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>4,712</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,718</td>
<td>3,549</td>
<td>4,268</td>
<td>1,976</td>
<td>1,561</td>
<td>2,497</td>
<td>24,569</td>
</tr>
</tbody>
</table>

1 Honolulu County Affordable Rent Guidelines 2014 for 4 person family size.
3 City and County of Honolulu, Homeless Point-in-Time Count (HPIT) 2014, assumes all earn less than 30% AMI.

Figure 1 shows that Honolulu would need on average approximately 5,000 new housing units a year for the next several years to catch up with demand and address new household formation. This demand will decrease significantly after the pent-up demand has been met. Low-income households often do not have a sufficient down payment or credit history necessary to secure a mortgage. The 2014 survey suggests that saving for a down payment to buy a home is the most critical personal housing issue for 20% of the respondents. While the survey reveals that most renters aspire to purchasing their own homes, few have the resources necessary to secure a mortgage. Survey respondents who rent the place where they live were asked about how much money they had in savings or other sources that could be used for a down payment. A plurality of renters responding (38%) have less than $1,999 to put towards a down payment. The median sales price for a single-family home on Oahu in 2013 was $650,000, which would require a 20% down payment of $130,000. The median sales price for a condominium on Oahu in 2013 was $332,000, requiring a down payment of $66,400. Only 5% of survey respondents have more than $50,000 to put towards a down payment. Funds for down payments are only one barrier that potential home owners face. Another problem is credit worthiness. A household’s credit can be severely damaged during market downturns when jobs are lost, bills go unpaid, and loans are not repaid in a timely manner. Assistance for home buyers will need to be customized to help people overcome various challenges.

Besides those first-time homebuyers who need assistance with affordable mortgages, analysis of the data shows the need to meet the strong demand for rental units. From a supply perspective, the housing stock needs to include more affordable rental options, which include smaller units (such as accessory dwelling
units, studios, and micro-units) and more compact housing designs such as townhouses and row-houses to minimize land costs. Beyond producing more compact, well-located units, assistance and services could be better oriented towards meeting the needs of renters, including rental assistance and the more widespread dissemination of tenants’ rights information.

While Figure 1 includes homeless people, it does not reveal the problem that often precedes homelessness. When housing is expensive and affordable options are limited, adult children stay at home longer (or return home) before forming their own households, and living rooms become bedrooms for relatives and friends. Overcrowded households are problematic for health and safety reasons, but in Honolulu this is a coping mechanism that prevents people from living on the streets (see for example the Waianae Sustainable Communities Plan, 2012). A 2014 Office of Hawaiian Affairs (OHA) report refers to those who depend on others for temporary shelter as experiencing “housing insecurity”. Data that documents the prevalence of overcrowding is limited. The survey conducted by the DPP in 2014 suggests that for households with three people or less, the majority have a bedroom for each person. For households with four to nine people, the majority live in three and four bedroom homes - implying the need for more compact, well-located units. Beyond producing more compact, well-located units, assistance and services could be better oriented towards meeting the needs of renters, including rental assistance and the more widespread dissemination of tenants’ rights information.

Oahu’s average household size has remained relatively steady at just under three people per household. But this number does not reflect the frequency of overcrowding, nor does it reflect the lifestyle variations among our population. The new policies, regulations, and projects will be customized geographically and generationally to accommodate the needs of Oahu’s diverse population.

To summarize, the people most in need of affordable housing, and for whom assistance is currently insufficient are:

- Households earning less than 80% of median income, with a focus on rental housing.
- Individuals and families who are homeless or are on the verge of homelessness.
- People who are 65 years or older who need special assistance and/or need to move into more age-friendly living arrangements (either with extended families or on their own).
- Echo Boomers or millennials who are moving out of their parents’ homes or returning to Oahu and starting their own households.

**Current Affordable Housing Laws and Policies**

Some argue that “the time-consuming and expensive permitting process” contributes extensively to the cost of housing. Of course, many factors contribute to the pace of construction and cost of housing, including land costs, interest rates, the availability of adequate infrastructure, economic cycles, etc. A recent report from UHERO references the various factors that impact construction.

“Hawaii’s construction expansion continues apace. New condo towers in Kakaako are spurring double-digit growth in permits for residential construction. A sharp rise in commercial construction, much of it in resort areas, is on the horizon. Public spending on infrastructure has also leapt upward, as the State works to address shortfalls that have built up in recent years. And with recent federal court victories, the way ahead is now clear for Honolulu rail rapid transit. Now in its third year of recovery, the construction industry is positioned for healthy growth over the next several years. (excerpt from UHERO’s “Hawaii Construction Forecast: Construction Upturn on Track” posted March 28, 2014)”

Given that the housing stock has grown by approximately 0.8% per year since 2007 (DBEBT, 2014), it is clear that regulations are permitting construction of market-rate housing. However, unlike places where land is plentiful and reasonably priced, the free market in Honolulu is not producing the necessary
quantity of affordable units. Additional efficiencies in the permitting process need to be identified and implemented. To incentivize developers to build the types of affordable housing desired, in the places where growth is encouraged, it needs to be easier and quicker to get a permit. Honolulu’s regulations both facilitate and hinder housing construction. The regulations specify the minimum requirements by which a wide range of housing types are constructed, and where, in compliance with local and national health and safety laws. The planning process is designed to direct and manage growth so that the City can ensure that new units can be serviced with sufficient water and sewer capacity, roadways, parks, and neighborhood schools. The regulations also protect sensitive environmental and cultural resources, facilitate connectivity, and maintain public health and safety. Honolulu also has regulations (and various subsidies) pertaining to the production of affordable housing, but these are not generating enough housing to meet the needs of households with less than 80% AMI.

Meetings with the public and stakeholders to develop Neighborhood TOD Plans in communities around the future transit stations regularly identified the lack of affordable housing. People are especially concerned that housing in proximity to the transit stations will become less affordable as property values increase over time. To supplement this anecdotal data, a web-based survey was conducted in April 2014. The concerns raised by survey respondents coincide with the concerns expressed by participants in the TOD planning process. The majority of respondents (68%) said that making housing more affordable is the most critical housing need for Oahu. In terms of supply, a plurality of respondents (42%) say that “more housing, in general” is the most critical. When asked what the most critical affordable housing need would be in the next 5 to 10 years, a plurality of respondents (38%) said “ensuring that affordable housing stays affordable for more than ten years”. This response is closely followed by 32% of respondents saying that new affordable rental housing is the most critical. These results are also consistent with the 2011 survey conducted by the DPP in conjunction with the Oahu General Plan update process that identified “Address need for affordable housing” as one of the “Top Ten Interests” in Oahu.

Currently, the City has four primary types of incentives that affect housing production: 1) the Unilateral Agreement (UA, applied to rezoning); 2) 201H Affordable Housing Exemptions; 3) Land Use Ordinance exemptions and variances; and 4) various tax relief programs. These incentives need to be updated and expanded to expedite construction of affordable housing that meets Honolulu’s diverse needs.

As Honolulu’s population has grown over time, housing needs have become more diverse and complex. The public investment in rail serves as the impetus for new creativity and change. Policies need to be updated to accommodate:

- Elders who want to “age in place” or wish to move to smaller, more care-free homes in walkable, accessible age-friendly neighborhoods. This can include adding accessory dwellings units on their existing lots, allowing them to rent their larger, less accessible homes.
- Lower cost renovations and more flexible building codes to preserve and facilitate the rehabilitation and expansion of existing, older, and historic buildings.
- Higher densities in residential and apartment neighborhoods to increase the supply of housing through market forces, while maintaining the land use regulations that protect our rural areas and prevent encroachment on quality agricultural lands.
- Reduced parking requirements (and increased bicycle parking) to reflect multimodal transit options and lower transportation costs.
- Housing with shared amenities (like parks and open space) that makes urban living more enjoyable, and people more connected to each other and to nature.
- Developers who are willing to provide a wider diversity of building and home types, like row houses and townhouses, ohana units for extended families, accessory dwellings units, micro-units, and modular and mobile homes.
Addressing these issues will respond to the needs of our changing demographics, help keep the country, country, and take full advantage of the opportunities rail provides in the urban core.

**Consistency with State and County Plans**

The islandwide housing vision is consistent with policy statements in the Hawaii State Plan, Hawaii 2050 Sustainability Plan, and the Oahu General Plan. These earlier plans do not fully consider the enormous potential for housing in transit-oriented neighborhoods along the rail line. However, many of the goals in this Strategy were voiced in these prior policy documents.

The Hawaii State Plan has two chapters that guide housing policy from the State’s perspective. Chapter 226-19 outlines three priority objectives for housing:

- Provide greater opportunities for Hawaii’s people to secure reasonably priced, safe, sanitary, and livable homes, located in suitable environments that satisfactorily accommodate the needs and desires of families and individuals, through collaboration and cooperation between government and nonprofit and for-profit developers to ensure that more affordable housing is made available to very low-, low- and moderate-income segments of Hawaii’s population;
- Promote the orderly development of residential areas sensitive to community needs and other land uses; and
- Develop and provide affordable rental housing by the State to meet the housing needs of Hawaii’s people.

The Hawaii 2050 Sustainability Task Force (January 2008) also established priority actions toward creating Hawaii’s preferred future. Their top priority for the year 2020, when interim goals should be met, is “Increase affordable housing opportunities for households up to 140% of median income.” Beyond creating affordable housing, sustainable housing design should incorporate efficient energy systems, multi-modal options, low carbon producing construction materials, and food security concepts.

The Oahu General Plan includes three housing-related objectives consistent with the new islandwide housing vision:

- **Objective A:** To provide decent housing for all the people of Oahu at prices they can afford.
- **Objective B:** To reduce speculation in land and housing.
- **Objective C:** To provide the people of Oahu with a choice of living environments which are reasonably close to employment, recreation, and commercial centers and which are adequately served by public utilities.

The General Plan includes policies like streamlining approval and permit procedures, providing financial and other incentives to encourage the private sector to build homes for low- and moderate-income residents, and expanding local funding mechanisms. It encourages residential development in areas where existing roads, utilities, and community facilities are not being used to capacity, discourages development where infrastructure cannot be provided at a reasonable cost, and recommends preserving existing affordable housing through self-help, housing rehabilitation, improvement districts, and other programs. The General Plan was last amended in 2002 and is currently being updated to better highlight TOD, sustainable communities and neighborhood revitalization.

**Housing and Transportation Costs**

Households on tight budgets generally assume that it is cheaper to live in the suburbs or the country where housing costs may be lower, but this assumption is worth revisiting. The Housing and Transportation Affordability Index measures the combined costs of housing and transportation in proportion to household income. Incorporating both housing and transportation costs into the metric for affordability takes into account the trade-offs households make when choosing a place to live. Property
values outside of the urban core may be lower, enticing households to move to suburban or rural areas. However, transportation costs to work and services increase as public transportation becomes less convenient. Generally, when transportation costs are added to housing costs, the household in the suburbs pays as much or more than the household in the urban core.

The Center for Neighborhood Technology has refined this method for US HUD by estimating that 45% of income spent on a combination of housing and transportation is truly affordable. Census data indicates that the average expenditure on housing and transportation for households in the City and County of Honolulu is 61% of income, with 32% spent on housing and 29% spent on transportation. When considering housing costs alone, approximately 52.6% of Honolulu residents spend more than 30% of their income on housing (i.e., they are overspending). Using a desired maximum expenditure of 45% on housing and transportation combined, approximately 63.7% of Honolulu households are overspending (from the 2010 Affordabe Housing Trend Report). Of course, costs alone do not dictate where people live. Proximity to family, special facilities, etc. often play a role in locational decisions. If planned well, transit-oriented development coupled with the recommendations included in this Housing Plan will help reduce combined housing and transportation costs and offer a variety of housing choices.

Potential Capacity for Housing in TOD Areas

DPP developed potential buildout projections for each TOD neighborhood planning area (updated as of May 2014), by assessing available land, likely market interest, community vision, and updated zoning. The total potential units for each planning area are shown in Figure 2. This also includes buildout assumptions for Kakaako, which is under HCDA jurisdiction. The timing of actual buildout in each area is difficult to predict, given market cycles, since housing will primarily be constructed by the private sector or in public-private partnerships. The potential buildout of approximately 51,500 units does not yet include projections for the three Airport area stations or for Halawa Makai neighborhood (surrounding Aloha Stadium); TOD planning for those areas began in mid-2014. Full buildout is likely to take at least 25 to 30 years or more.

Potential Distribution of Housing in TOD Neighborhood Planning Areas

<table>
<thead>
<tr>
<th>TOD Planning Area</th>
<th>Dwelling Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing</td>
</tr>
<tr>
<td>East Kapolei (3 Stations)</td>
<td>---</td>
</tr>
<tr>
<td>Waipahu (2 Stations)</td>
<td>760</td>
</tr>
<tr>
<td>Aiea/Pearl City (3 Stations)</td>
<td>550</td>
</tr>
<tr>
<td>Halawa Makai (Aloha Stadium Station)</td>
<td>---</td>
</tr>
<tr>
<td>Airport Area (3 Stations) 1</td>
<td>---</td>
</tr>
<tr>
<td>Kalihi (3 Stations)</td>
<td>3,700</td>
</tr>
<tr>
<td>Downtown (3 Stations)</td>
<td>8,800</td>
</tr>
<tr>
<td>Kakaako (2 Stations - HCDA) 2</td>
<td>6,130</td>
</tr>
<tr>
<td>Ala Moana Center (1 Station)</td>
<td>9,638</td>
</tr>
<tr>
<td>Total</td>
<td>29,578</td>
</tr>
</tbody>
</table>

Rounded to the nearest residential unit; timing associated with buildout is market-dependent but could range 25-30 years.

1 This table does not yet include potential new housing in the Airport TOD area (3 stations) or the Halawa Makai neighborhood (surrounding Aloha Stadium). TOD planning around those 4 stations began in mid-2014.

2 Kakaako data are based on the 2010 US Census and DPP projections (2014).
Strategic Action Plan

This Strategic Action Plan will enable the City and its partners to implement a more proactive approach toward the production of affordable and workforce housing. City Council has allocated over $47 million in FY2015 to address critical needs for housing and services for homeless families and individuals. A new Financial Toolkit for TOD areas is being developed to support housing production and better leverage limited resources. One new tool is an Equitable TOD Fund ($2 million initial funding from US HUD to be matched by banks’ Community Reinvestment Act funding). Coordinated, consistent funding can be used to build affordable and workforce housing in mixed use, mixed income development on underutilized City and State lands along the transit corridor. A preliminary analysis identified 224 parcels, or approximately 417 acres, of City-owned property within the ½ mile transit corridor, and another 519 parcels, or 2,038 acres, of State-owned property. While much of this property is improved and dedicated to other important uses such as parks, schools and offices, an asset optimization approach will identify near term and long-term opportunities to maximize available properties’ value through TOD projects.

City resources to support affordable housing development have been somewhat useful incentives to spur affordable housing development, including low income rental housing tax relief, reduced fees for infrastructure hook-ups and permits, and the Affordable Housing Fund noted above. The State of Hawaii has administered the majority of affordable housing plans and programs since 1996, which include HUD CDBG and HOME, Tax Exempt Bonds, the Rental Housing Trust Fund, and Low-Income Housing Tax Credits (LIHTC) that assist developers with the production of affordable housing. The largest developer and manager of affordable housing units in the County is the Hawaii Public Housing Authority, who are planning for redevelopment of Mayor Wright Homes into a mixed-use, mixed-income, transit-oriented neighborhood. Housing Choice and Section 8 Vouchers – administered by both the City and State – assist households with housing costs. However, many needs remain unmet.1

The massive investment in rail, city-initiated rezoning for a greater variety of land uses and opportunities for height and density bonuses, and parking reductions are powerful incentives for private developers who will be asked to contribute to the production of affordable housing. Rather than only requiring affordable units when a property is rezoned, a new requirement will ensure that affordable units are produced as part of every development project that exceeds a certain threshold. Other changes to codes and regulations will make it easier to build affordable housing. Updating zoning codes will allow accessory dwelling units (ADUs) to be added on existing single-family lots. Like ohana units – but not limited to family members – small cottages, additions, or converted garages will provide well-located, well-managed housing plus additional income for owners, or more accessible units for elders to move into as they ‘age in place’.

Implementing the recommended City-related actions will add over 4,000 units to the affordable housing inventory over five years (see Figure 3 below). If the State continues funding projects at a rate similar to the projects currently in the pipeline, and capitalizes on TOD opportunities on state lands, the five-year total increase could be over 8,000 units. If these polices and investment strategies prove effective and are continued over a fifteen year period, the identified demand for 24,000 new housing units will be addressed. One key to this increase will be to require a much longer period of affordability, to build up the inventory and maintain affordability over time. The City’s current UA rules require affordability for 10 years. The recommended new affordable housing requirement will require units to remain affordable for 30 to 60 years.

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1 See Attachment 1: Current Affordable Housing Incentives Table in Appendix.
The HCDA Reserved Housing rules for Kakaako development require 5 years affordability in for sale projects and 15 years in rental projects. For this Strategy to be fully effective, the HCDA rules should be aligned with the City’s proposed new requirements.2

Figure 3:
Projected Annual Increase in Affordable and Workforce Housing Inventory through City Strategies

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New units added each year (bold number) are maintained in affordable inventory.</td>
<td>656</td>
<td>656</td>
<td>784</td>
<td>656</td>
<td>656</td>
</tr>
<tr>
<td>Increasing Inventory</td>
<td>656</td>
<td>1,440</td>
<td>2,424</td>
<td>3,238</td>
<td>4,052</td>
</tr>
</tbody>
</table>

Includes 1) current City budgeted production and projections beyond 2016; 2) projections of units required through Unilateral Agreements; 3) projections based on implementation of the Affordable Housing Requirement; 4) projections based on changes toohana designated zones to allow ADUs; and 5) implementation of other actions contained in this Strategy.

This table shows the units that will be produced and maintained as affordable with implementation of City-related efforts. The potential production of units by State-sponsored efforts during this same period are not included, but could add almost 4,000 more units over five years.

The rural areas will also benefit from this Strategy. Policies that attract development to the urban core and suburban and rural town centers will help reduce growth pressures in Oahu’s rural areas. Actions that result in a greater diversity of housing types will also allow elders to age in place and larger families to live together. Revisions to the Land Use Ordinance and housing code amendments will allow an increase of housing to accommodate the natural population increase – a strategy that will particularly benefit rural areas. The housing inventory can increase incrementally on existing parcels without having to build additional new towns or extensive suburban development. The Strategy will help the country remain country.

The following near-term strategic actions include planning, policy, regulatory and program revisions; funding mechanisms; public and private investments; and efforts to identify and track changing housing needs. Many of these efforts are already in progress; others are new concepts, and will be reviewed by Council and stakeholders as specific initiatives over the next several months.

1. Increase Workforce Housing Inventory

a) Adopt Islandwide Affordable Housing Requirements (2014-2015)
Honolulu’s Unilateral Agreement rules (City and County Resolution 09-241, CD1, Affordable Housing Agreement Rules, 2010) have helped produce about 300 affordable units annually since 2010. These rules require 30% of housing (in projects of ten units or more that require rezoning) to be affordable at between 80% to 140% of AMI. However, the maximum required period of affordability is less than ten years. Typically the affordable housing obligation has been addressed by providing for-sale residential units. Developers who do not require zone changes are excused from contributing to affordable housing production. Most other communities with similar requirements do not tie them to rezoning, requiring fewer units per project, across more projects, helping more households with greater needs, and typically for a longer term.3 Almost 500 communities across the country –

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2 See attachment 3 in Appendix: Comparison between Current Unilateral Agreement Rules and Proposed Affordable Housing Requirements
3 See Attachment 2 in Appendix: Affordable Housing Requirements Comparison of Select Cities.
including ones in “hot” markets like San Francisco, Boston, Sacramento, and San Diego – have implemented similar requirements, often known as “inclusionary housing”.4

A new affordable housing requirement will require a percentage of all new construction (above a minimum threshold, like ten units) to be affordable by people with low to moderate incomes. This requirement anticipates the less frequent need for Unilateral Agreements (that are only triggered by a request for zone change). It also reflects the opportunity to capture value in the form of community benefits resulting from public investment in rail and TOD-related infrastructure, coupled with City-initiated TOD zoning. The requirement will be applied at permit issuance (either for phases of large developments or for building permits). The ordinance and rules will be sufficiently flexible to allow for on-site construction of affordable units, off-site construction, and payment of cash in lieu of construction into a fund dedicated to the production and preservation of affordable housing. In light of the City’s experience with UA’s, research on similar programs across the country, and the documented need for rental housing at lower AMIs for a longer period, the recommended islandwide affordable housing requirement is as follows:

PREFERRED: Construction of On-Site Affordable Housing
- Rental: 15% of the units at 80% AMI or lower, or
- For Sale: 30% of the units at 120% AMI or lower.
- Length of Affordability: Units will remain affordable for 30 to 60 years.

ALTERNATIVE: Off-Site Affordable Housing
- Rental: 20% of the total units at 80% AMI or lower.
- Length of Affordability: Units will remain affordable for 30 to 60 years.

ALTERNATIVE: In Lieu of Construction Fee
- Fee equivalent to the cost required to construct a percentage of the total units as affordable (amount TBD; fee to be updated regularly to reflect current construction costs; fee deposited into a fund for the construction of affordable rental units or Housing First-type units up to 1/2 mile from the transit stations).

Rules and regulations will need to be developed to implement the proposed Affordable Housing Requirement. Similar to the current UA rules, the Affordable Housing Requirements will be applicable to any project involving the construction of 10 or more units. Residential rehabilitation projects resulting in the production of less than 10 additional units will also not be subject to the new requirements. Recognizing that neighborhoods have differing needs, and to maximize developer flexibility, the requirements will allow for construction of affordable units on-site, off-site, or payment of a fee in lieu of construction into a fund dedicated to the production of affordable housing. The formulas outlined above will be refined in the rules to reflect the need for a variety of unit sizes and types.

Based on the research conducted for this Strategy, most municipalities that require affordable housing production embed that requirement within land use regulations (subdivision and/or land development) and therefore require documentation of compliance intentions before receiving any major or minor permit approvals or, in the case of projects allowed by right, before the building permit is issued. While this proposal requires fine-tuning, DPP anticipates including this concept in its forthcoming

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TOD Land Use Ordinance amendments. At the current average rate of 2,084 building permits/year, this requirement will produce 170 to 230 affordable units/year, with the long term affordability period increasing the inventory each year.

b) **Amend the Unilateral Agreement Rules** (2015)
Update the UA rules to align with the new Affordable Housing Requirement, reflecting the need for more rental housing at lower AMIs for longer periods of time. This will include the administrative and structural changes recommended by the Audit of the City’s Management of the Unilateral Agreement in Affordable Housing (Report No. 07-05, October 2007). Existing development UAs are not proposed to be affected by the amended rules.

c) **Increase Affordable Housing Production and Adopt Benchmarks** (2014, update regularly)
Affordable housing production goals for units produced by City strategies will be lower in the first few years, increasing each year as additional investments and policies are implemented (as outlined in all four groups of strategic actions). Some of these units will be renovated buildings that are added to the long-term affordable inventory. The majority will likely be in TOD areas, including ADUs on existing lots, but also include those produced outside of the rail corridor, using transit-ready development principles islandwide. These goals will be adjusted regularly based on market conditions. The first-year goal of approximately 660 affordable units per year will increase to 784 in year two, and 984 in year three, based on current planned and pipeline projects. For later years, although production might continue to increase incrementally each year, we have assumed a more conservative projection of approximately 815 additional units per year after all proposed policies and investment strategies are in place. Coupled with the new requirement for long-term affordability, this gradual increase in production will increase the inventory by over 4,000 affordable units over five years. If the State continues funding projects at a rate similar to the projects currently in the pipeline, and capitalizes on TOD opportunities on state lands, the five-year total increase could be over 8,000 units.

2. **Increase Low-Income and Homeless Housing Options**
This strategy focuses on the needs of Low and Very Low-Income Households (such as the working poor, seniors, and people needing services), and homeless individuals and families. The City is implementing an evidence-based Housing First initiative to address long-term homelessness, in partnership with the State, service providers, non-profits, and the private sector. Homeless programs and services are currently delivered through the Continuum of Care (CoC) funding which supports a ‘treatment first’ model mandated by US HUD in the 1990s. Homeless families or individuals transition through various levels of housing, shelters, transitional apartments, and lastly permanent housing. Most CoC options require participation in substance abuse or alcohol treatment programs as a prerequisite for entry into an emergency shelter or transitional housing. This is often viewed as a barrier to entry, increasing the challenges of addressing the needs of vulnerable populations.

By contrast, the Housing First approach removes the barrier of mandatory treatment for program enrollment, and provides permanent supportive housing directly from streets and shelters. The newly housed persons are immediately provided with extensive case management and wrap-around services to address multiple needs. Data has shown that over time voluntary enrollment in the treatment program is achieved. Housing First works on two central premises: (1) re-housing should be the central goal of working with people experiencing homelessness, and (2) by providing housing assistance and follow-up case management services after a family or individual is housed, we can significantly reduce the time people spend in homelessness.

Transitioning from the current “treatment first” to a Housing First system requires a shift in focus from the emergency shelter and transitional housing approach, to one that prioritizes and leverages
federal, state, and local funding towards Housing First programs. A scattered site approach provides participants with rent subsidies, such as portable vouchers, to obtain housing from private landlords, with supportive services delivered through home visits. A single site, or project-based approach includes housing developments or apartment buildings in which some units are designated as supportive housing. The City’s approach will focus on maintaining Housing First as a percentage of units within a mixed income property.

a) **Acquire, Develop, Rehabilitate, or Lease Housing First Units** (2014-2015, ongoing)
Recognizing the growing crisis in homelessness, the City Council incorporated an unprecedented level of funding in the FY2015 budget. Housing First strategies are outlined in the 2013 Homeless Action Plan, which proposes modifications to Continuum of Care programs, adjustments to use of HUD HOME and CDBG funding, and specific targets for use of new local funding. The operating budget supports tenant-based rental assistance and supportive services in the early years with capital improvement funds dedicated toward development or acquisition of housing units to support the Housing First program over the long term. Thus, future years will realize reduced costs for tenant-based rental assistance.

The FY 2015 operating budget allocated $3 million for Housing First, which will be used to contract with service providers to implement housing and supportive services and tenant based rental assistance. The FY 2015 capital budget appropriated $8.3 million from the Affordable Housing Fund to develop or preserve affordable housing for the chronically homeless through the Housing First model. An additional $4 million of AHF was appropriated for Housing First projects in Waikiki. Another $32 million of general obligation bonds were allocated for the acquisition, development and/or renovation of city-owned facilities to relocate homeless individuals and families from parks, facilities and other public areas to emergency, transitional and/or permanent housing, and including funding for the Family Justice Center and Chinatown properties.

These investments will increase Honolulu’s inventory of permanent rental housing units within the Housing First target regions. This will include existing scattered-site rental apartments; buildings for acquisition and rehabilitation, or new construction projects to increase the inventory of SRO, micro-units or one- and two-bedroom units. Single Room Occupancy (SRO) units, also called micro-units, offer a long-term solution for housing chronically homeless persons. However, Honolulu’s current vacancy rate provides limited capacity. Increasing the inventory of SRO units will provide for sustainability with operations maintained through outsourcing, similar to the current management practice for the existing City portfolio of special needs housing properties. With this initial funding, the City will partner with private developers to provide gap financing and acquire/rehabilitate up to 155 units for Housing First clients.

b) **Leverage HUD Funding to Implement Priority Projects** (2014-2015, ongoing)
The Administration, with the Council’s support, will need to update the HUD Consolidated Plan to reflect new affordable housing and supportive infrastructure as the priorities for selecting HOME- and CDBG-funded projects. Existing policies will be amended to identify housing and homeless programs as priorities, and to permit City initiatives to be funded with CDBG and HOME monies. Fifteen percent of the CDBG allocation is eligible for housing supportive services and administrative costs, while HOME funds can fund tenant based rental assistance, rehab, or new construction. Refocusing HOME priorities will allow for more expansive use of HUD Section 108 loan guarantees for project financing, which can multiply the available project funding five-fold. The City’s Consolidated Plan priorities can set aside a percentage of the CDBG award to benefit chronically homeless clients of the City’s Housing First program and continue to sustain the City’s existing Rent-to-Work program.
c) **Leverage and Coordinate Homeless Services** (ongoing)
Federal, state, community, and private sector resources and partnerships can be better leveraged to provide case management, employment training, and other services to address the medical, psychological, social, vocational and legal needs of chronically homeless individuals. For instance, Housing First projects can be incorporated into future HUD funding applications. The Department of Community Services administers the federal Continuum of Care (CoC) funding to support countywide efforts to address homeless needs. The Honolulu Continuum, known as the Partners in Care, establishes the CoC funding priorities. Over $10 million is allocated toward homeless-directed programs and providers. Consistent with current national discussions, over the next three years Honolulu can allocate an increasing portion of this funding to support Housing First projects. Given the community-based structure of CoC funding, the support of Partners in Care members is required for successful implementation of the Housing First model.

d) **Implement a Project-based Section 8 Voucher Program** (2014)
HUD Section 8 Project-Based Rental Assistance (PBRA) programs enable low-income households to afford modest apartments by contracting with private owners to rent some or all of the units in their housing developments to low-income families. Project-based vouchers are attached to specific housing units if the owner agrees to either rehabilitate or construct the units, or the owner agrees to set aside a portion of the units in an existing development. The City will pursue availability of these vouchers with HUD.

e) **Coordinate with the HHFDC Low-Income Housing Tax Credit Program** (2014-2016)
Honolulu’s non-profit developers are currently less successful in securing LIHTC funds from the Hawaii Housing Finance and Development Corporation for the construction and rehabilitation of rental units than non-profits on neighbor islands because of how the Qualified Allocation Plan is structured. Funding and timing need to be assessed for better performance in LIHTC competitions. Project priorities should include well-located projects near transit (rail or bus).

3. **Invest in Better Neighborhoods**
Both City and State funding for housing vary from year to year, due to fluctuations in economic conditions. The investment in rail transit will be leveraged by targeting public funding toward catalytic projects near rail stations. Coordinated and consistent funding can be used to build affordable and workforce housing in mixed use, mixed income development on under-utilized City and State lands along the transit corridor. A preliminary analysis suggests that there are 224 parcels, or approximately 417 acres, of City-owned property within the ½ mile transit corridor, and another 519 parcels, or 2038 acres, of State-owned property. While much of this property is dedicated to other important uses, such as parks, schools and offices, an asset optimization approach will identify near term and long-term opportunities to maximize available properties’ value through TOD projects. The City’s efforts will be led by a proposed new Strategic Development Office (see Strategy 5.a.).

a) **Adopt a Housing Finance Toolkit to Stimulate Private Investment** (2015)
This includes financing mechanisms, incentives and policy guidelines to stimulate private investment. Some of these resources need to be created; others need modification and increased funding; all need to be better publicized. These resources include, but are not limited to:

- **Modify the Affordable Housing Fund.** Maintain the existing fund, which dedicates 1/2% of real property tax revenue annually, but modify the language to allow for better coordination with the State by revising, for example, the “in perpetuity requirement” to a long-term specified period so that the funds can be used for projects on State-owned land.
- **Implement the Housing First Initiative.** Discussed above. Will address the urgent needs of the homeless population.
- **Target Real Property Tax Exemptions or Credits.** Fine-tune the program to include a finite number of TOD-related exemptions each year, with either an annual competitive
application or exemptions/credits issued at a first-come, first-served ‘fire sale’ for qualified projects to signify urgency.

- **Create a Community Land Trust and/or Land Acquisition Fund.** Create a nonprofit land trust to maintain affordable units in perpetuity, solicit money from private and foundation sources, and hold and acquire land for the future production of long-term affordable housing. A land acquisition fund can acquire and hold land for housing (like the Trust for Public Land acquires parks or conservation lands).

- **Maximize State and Federal Funding Mechanisms.** Work with the State to streamline and prioritize or create more opportunities for affordable housing, e.g., GET and LIHTC tax credits, infrastructure revolving loan fund, etc.

- **Establish Community Facility Districts.** As an alternative to Tax Increment Financing, Community Facility Districts can be designated for infrastructure and streetscape improvements using bonds funded by special assessment.

- **Leverage the Equitable TOD Fund.** The City recently created a revolving loan fund for housing development or rehab under the auspices of the Hawaii Community Reinvestment Corporation and funded with $2 million from HUD (to be matched by banks’ CRA funding). HCRC is also funded to grow, market, and administer the fund.

- **Use HOME Funding to Build Affordable Housing.** Reassess the priorities in the HUD Consolidated Plan to allocate more funds towards affordable housing. Use HOME funds to leverage HUD Section 108 loans to multiply the approximately $10 million annual allocation to almost $50 million in project funding.

- **Use CDBG Funding for Supportive Infrastructure.** Many jurisdictions use CDBG funding for infrastructure investments that support affordable housing development.

b) **Develop Housing in Catalytic TOD Projects (2015-2019)**

Three catalytic projects along the transit corridor – along the Kapalama Canal, on the Pearlridge Transit Station property, and the Neal Blaisdell Center – were launched in 2013, with initial funding approved in the FY2015 budget. Private developers such as Kamehameha Schools could construct up to 400 affordable units as part of the Kapalama Canal Catalytic Project with the implementation of the Affordable Housing Requirement. The City’s planned Pearlridge Transit Station property – which includes a housing component – will provide up to 150 mixed income units, including approximately 40 affordable units. Future catalytic projects will be identified to coordinate infrastructure and development in target locations that, in turn, stimulate other improvements, and include the production of affordable, workforce, and market-rate housing. These may include partnerships with State agencies for development on State or City lands, such as in Iwilei. The planned redevelopment of Mayor Wright Homes by HPHA, preserving 300 public housing units while adding several hundred more affordable and mixed income units is a model for redevelopment on other public lands.

c) **Rehabilitate Existing Housing (2015-2016, ongoing)**

The City will assess the quality of existing housing stock, including special needs housing and aging rental projects, and develop a strategy and targeted funding for housing rehabilitation. The City will take an asset optimization approach to identify developable land and building rehab potential; it owns 417 acres along the transit corridor. There are nine City-owned parcels in Chinatown alone. The properties outside of the historic district can be developed with a project like Halekauwila Place in Kakaako, which has over 200 affordable rental units on a small lot across the street from a rail station. The City has released a request for proposals for affordable housing on a City-owned lot on River Street.

d) **Invest in Neighborhood Enhancements and Infrastructure (ongoing)**

Since housing costs alone do not dictate where and how people live, improvements to supportive neighborhood assets – such as complete streets, pathways, schools, parks and social services – will
require continued attention and financial support. Better leveraging private, federal, state and county funds for increased infrastructure capacity will support higher density residential uses in TOD areas and other neighborhoods. This will also support accessory dwelling units that meet the needs of extended families and individuals. DTS led interagency Walk Audits to identify pedestrian, bicycle, bus, and Handivan access improvements needed around 21 rail stations. This resulted in a prioritized list of capital improvements and $4 million in initial funding to enhance station access and TOD opportunities.

4. Update Policies and Regulations to Promote Housing Production

a) **Adopt Neighborhood TOD Plans and Update Ordinances and Zoning** (2014-2015)

   The City’s TOD Program has developed six Neighborhood TOD Plans for the areas around 15 rail stations. The Waipahu Plan has been adopted, with the remainder expected to be adopted in the next several months. Planning for the areas around the Airport and Aloha Stadium stations is under way. DPP is drafting revisions to the Land Use Ordinance, Zoning Maps, and other regulations pertaining to affordable housing production, streetscapes, infrastructure, and parks in transit-oriented neighborhoods. These new regulations will offer incentives such as city-initiated TOD zoning, height and density bonuses, process improvements, and reduced parking, combined with requirements to provide affordable housing, active streetscapes, and usable public space.

b) **Expand Zoning for Multi-family, Ohana and Accessory Dwelling Units** (2014-2015)

   Many existing residential lots can support additional development with compact units for extended families and individuals. There is significant potential for increasing the supply of rental housing in existing neighborhoods by updating zoning codes to allow accessory dwelling units (ADUs) to be added on existing single-family lots. Like ohana units – but not limited to family members – small cottages, additions, or converted garages will provide well-located, well-managed rental housing plus additional income for owners. Revising regulations to allow more diverse units will have the added benefit of reducing nonconformities. A public-private program will be established to provide example designs, link owners to contractors, conduct public outreach, and facilitate permit approvals.

   As the Hawai‘i Appleseed Center for Law and Economic Justice has documented (2013), ohana housing is currently underutilized, with just 2,000 units established through the permitting process, even though more than 17,000 units on Oahu are eligible. Almost all of the ohana units in existence were permitted between 1982 to 1990, before restrictions limited occupancy to family members. When ohana dwellings were first allowed in 1982, they comprised almost 25 percent of all single-family construction. In 2011, they accounted for a mere 2 percent of building permits. To create more affordable housing, the restrictive covenants for ADUs that permit only ohana dwellings rented to tenants related by blood, marriage, and adoption will be removed. The requirement that accessory dwelling/ohana units be detached from the main house will be lifted and parking requirements reconsidered. Although ADUs on single-family lots will not be required to be affordable, they will typically be smaller units and likely to stay relatively affordable. At least 250 units per year could be developed in initial years once the ordinances are revised and the program is implemented.

c) **Incorporate Housing Strategy in the General Plan Update** (2015)

   DPP will incorporate components of this housing strategy in the General Plan Update to better support TOD, sustainable communities and neighborhood revitalization.

d) **Revise Housing Construction Standards without Sacrificing Health and Safety** (2015-2016)

   Although the City and County of Honolulu already allows for the construction of compact residential units, the Building Code and Land Use Ordinance will be reviewed to identify and remove barriers to allow the construction of more affordable rental options, such as accessory dwelling units, micro-units, row houses, townhouses, modular units, and other innovations. It will also be reviewed to identify potential revisions to encourage more flexible renovations to existing and historic buildings,
such as upper floors in Chinatown. When similar modifications were made to the New Jersey State Building Code, building permits for downtown historic building renovations increased by 60% in the first year.

e) **Improve the 201H Process to Create More Accessible Affordable Housing (2015-2016)**

Chapter 201 H, Hawaii Revised Statutes provides a process whereby an affordable housing project may be granted exemptions from any statutes, ordinances and rules of any governmental agency relating to planning, zoning and construction standards that do not negatively affect the health and safety of the general public. Currently, the exemptions are only available to projects involving at least 50% of dwelling units. The City will work with the Legislature to improve the 201H process. Broadening eligibility and streamlining application procedures will result in more developers creating affordable housing. Application of this exemption in areas near transit stations should be carefully applied so that affordable housing is not exempted from basic requirements for each project to improve walkability and accessibility.

f) **Support Growing and Aging in Place (2015-2016)**

Supporting our young families and kupuna in their neighborhoods can take many forms. Regulations will be revised to support elders and young families with opportunities that include compact homes in affordable, well-located, age-friendly neighborhoods. We can also better leverage private, federal, state and county funds for increased infrastructure capacity to support higher density residential uses in TOD areas and allow ohana dwellings and accessory dwelling units in rural centers to meet the needs of extended families.

5. **Coordinate Implementation and Measure Progress**

a) **Establish a Strategic Development Office (2014-2015)**

Nearly two decades ago, the City retreated from developing low income and mixed income affordable housing when it disbanded the 100 employee Housing Development Office. Since then, the City has provided a relatively small amount of funding to support housing programs and services, primarily through federal funds including HUD HOME and CDBG. While the voters approved the Affordable Housing Fund in 2006 that sets aside ½ percent of real property tax revenue or approximately $4 million each year, that fund has not yet been expended for any housing projects (note: AHF funding has been appropriated for projects in the FY2015 budget). Similarly, while the voters approved the creation of the Office of Housing in 2010, that office has not been sufficiently staffed to carry out its function due to hiring freezes and budget constraints in place since the inception of the Office.

In order to accelerate housing production and economic development, the City intends to establish a single office responsible for the strategic development of City assets throughout Oahu, with primary focus on optimizing the use of City assets within the TOD, such as the 417 acres near the rail stations. This office will consolidate functions currently scattered among several departments in order to concentrate on stimulating affordable housing and community development in the private and non-profit sectors. This office will also be charged with the acquisition and rehabilitation of appropriate housing units for the City’s Housing First program.

b) **Track Production and Inventory of Affordable Housing (2015, ongoing)**

Implementation of this Strategy will benefit from better-coordinated tracking of additional data that further customizes these proposed actions for the local housing market. Data will be used to establish indicators that measure performance over time. However, much of the needed data is owned and collected by the private sector and by a variety of local and state agencies. For example, access to proprietary data will allow for the analysis of how much developers can subsidize affordable housing units given that property values will increase with the construction of the rail system. More precise data will also document the differences in how single-family affordable housing is financed versus
what is required for affordable housing in vertical mixed-use development scenarios. It will also
better track how long affordable units actually remain affordable.

Housing programs are administered by several city and state departments, and most affordable
housing is built by private and non-profit developers. There is no single database or coordinated
reporting requirements that track the characteristics of the housing stock over time. A single database
will help track and report progress on, for example:
  o The number of units that remain affordable after initial buy-back restrictions expire;
  o The quantity and quality of lapsed affordable housing units that were built in compliance with
    UA rules compared to those constructed but not required by a UA; and,
  o The number and characteristics of affordable housing rental versus sales units needed and
    built on an annual basis.

Next Steps

Identifying what city and state agencies are doing in anticipation of rail could fill several pages; however,
implementing this Strategy will rely heavily on public-private partnerships. In Hawaii, we depend on the
private and non-profit sectors to build most affordable housing in accordance with public sector-defined
policies, regulations, and funding. For example, updating regulations to allow more flexible
improvements to nonconforming structures will encourage the rehabilitation of existing housing, which is
typically more affordable than new construction. Revising ohana zoning to allow non-family tenants to
rent units will stimulate construction of accessory dwelling units. Making surplus public land available
for development will catalyze affordable housing production.

This Islandwide Housing Strategy responds to the needs of people on Oahu who struggle with housing the
most. The recommended actions also recognize that where and how people live impacts neighborhoods.
In Hawaii, where you grew up, and where you went to school, speaks volumes about who you are. Our
homes, and the neighborhoods we live in, are fundamentally connected to our sense of self and our
connections to ohana and community. Whether just one home at a time, or through larger, catalytic
projects, we can strengthen our neighborhoods – with the right policies, plans, regulations and targeted
investments.

This Strategy is intended to create an environment that supports our development community and
provides them with the tools necessary to provide housing choices that build community, strengthen
neighborhoods, and fit family budgets. Acting together on this Strategy will help us emerge from our
housing crisis and build a more diverse and affordable housing stock over time. The Mayor’s TOD Sub-
cabinet has been instrumental in overcoming institutional barriers within City government. Its members
also recognize that housing for all of Oahu’s residents will only be achieved if we rely on the resources
and wisdom of our local experts from other agencies, non-profits, and the private sector.

The recommended next step, after initial presentation and discussion with City Council, is to reconvene
stakeholder groups for review and comment, present the policy to other interested parties, and then refine
the recommendations for submittal to the Council for review. Adoption of the key principles as a policy
will affirm the City’s commitment to the production, preservation and maintenance of well-located
affordable and workforce housing. Some of these recommended actions will require additional analysis
and refinement, while others can be adopted by the Council fairly quickly or implemented
administratively by the City and the private sector. Other actions may require new or revised ordinances
or rules, and will be implemented in accord with adopted budgets and public-private partnerships.
<table>
<thead>
<tr>
<th>Legal Source</th>
<th>Program</th>
<th>Description</th>
<th>Lead Org.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CDBG</td>
<td>Annual federal grant to support low- and moderate income households and neighborhoods. <em>Consider: The draft Housing Strategy proposes reassessing the priorities in the HUD Consolidated Plan and allocating more CDBG money towards supportive infrastructure.</em></td>
<td>BFS/DCS</td>
</tr>
<tr>
<td></td>
<td>HOME</td>
<td>Annual federal grant to support low- and moderate income housing. <em>Consider: The draft Housing Strategy proposes reassessing the priorities in the HUD Consolidated Plan and allocating more HOME funds towards affordable housing production/acquisition.</em></td>
<td>BFS/DCS</td>
</tr>
<tr>
<td>201H, 46-15.1, HRS</td>
<td>201H</td>
<td>&quot;One-stop&quot; land use approval of qualifying housing projects; may exempt from certain standards and fees.</td>
<td>HHFDC/DPP</td>
</tr>
<tr>
<td>LWO, Ch 21, ROH</td>
<td>Special Needs Housing for Elderly</td>
<td>Allows relaxation of development standards in residential and apartment districts with a conditional use permit (public hearing).</td>
<td>DPP</td>
</tr>
<tr>
<td>LWO, Ch 21, ROH</td>
<td>Group Living Facility</td>
<td>Allows relaxation of development standards in agricultural, residential and apartment districts with a conditional use permit (public hearing).</td>
<td>DPP</td>
</tr>
<tr>
<td>LWO, Ch 21, ROH</td>
<td>Cluster Housing, Planned-Development Housing</td>
<td>Provides development options in residential and apartment districts to reduce costs by allowing flexibility in subdivision standards.</td>
<td>DPP</td>
</tr>
<tr>
<td>Ch 8, Article 10, ROH</td>
<td>Property Tax Exemptions</td>
<td>Various exemptions for specific populations: disabled veterans, other disabled, Hansen’s Disease, low-income rental housing.</td>
<td>BFS</td>
</tr>
<tr>
<td>Ch 6, Article 26</td>
<td>Housing and Community Development Rehabilitation Loan Fund</td>
<td>Offers loans to low- and moderate-income landowners.</td>
<td>BFS</td>
</tr>
<tr>
<td>Ch 6, Article 34</td>
<td>Rental Housing</td>
<td>Construction loans for multi-family rental housing using tax-exempt revenue bonds.</td>
<td>BFS / DCS</td>
</tr>
<tr>
<td>Ch 34, ROH, HRS 46-80.1</td>
<td>Community Facilities Districts</td>
<td>Special assessment within specific districts to construct certain infrastructure improvements. <em>Consider: As an alternative to Tax Increment Financing, Community Facility Districts - coinciding with certain TOD Districts - could be designated for infrastructure and streetscape improvements using bonds funded by projected tax increment revenue.</em></td>
<td>Council</td>
</tr>
<tr>
<td>Legal Source</td>
<td>Program</td>
<td>Description</td>
<td>Lead Org.</td>
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</tr>
<tr>
<td>Ch 14 &amp; 36, ROH</td>
<td>Special Improvement Districts (aka business improvement districts)</td>
<td>Add-on to property tax within specific districts to perform improvements or maintain existing neighborhood amenities.</td>
<td>Council</td>
</tr>
<tr>
<td>Ch 8, Article 10, ROH</td>
<td>GET Exemption</td>
<td>Consider: Fine-tuning the program that allows limited Real Property Tax Exemptions for production of new affordable housing. This would include a finite number of TOD-related exemptions each year, with either an annual competitive application or exemptions/credits issued at a first-come, first-served &quot;fire sale&quot; for qualified projects to signify urgency.</td>
<td>BFS, Real Property</td>
</tr>
<tr>
<td>Ch 6, Article 63, ROH</td>
<td>Affordable Housing Fund</td>
<td>Approved by voters in 2006, for land acquisition, construction, and preservation of low-income housing that remains available in perpetuity for households earning less than 50% AMI. Consider: Maintaining the existing fund, which dedicates 1/2% of real property tax revenue annually, but modify the language to allow for better coordination with the State by revising, for example, the &quot;in perpetuity requirement&quot; to a long-term specified period so that the funds can be used for projects on State-owned land.</td>
<td>BFS</td>
</tr>
<tr>
<td>HUD Grant</td>
<td>Wastewater Low-income Housing Projects Reduction in Wastewater System Charges</td>
<td>Reduces per unit charges for low-income units in qualifying projects.</td>
<td>ENV</td>
</tr>
<tr>
<td>LEO, Ch 21, ROH</td>
<td>Equity TOD Fund</td>
<td>A revolving loan fund to provide pre-construction gap financing for low-income rehab and new construction, as well as ancillary support uses. Created by the City in 2014 and funded with $2 million from HUD (to be matched by banks CRA funding). The Hawaii Community Reinvestment Corporation will grow, market, and administer the fund.</td>
<td>BFS</td>
</tr>
<tr>
<td>DPP Admin. Rules</td>
<td>Proposed: TOD Special District</td>
<td>Proposed: Affordable housing production required of all new residential construction over a 10-unit threshold; Density and height bonuses provided in return for more affordable units.</td>
<td>DPP</td>
</tr>
<tr>
<td></td>
<td>Unilateral Agreement</td>
<td>Affordable housing is produced in conjunction with zone changes; developers are offered enhanced credits for construction of affordable housing near transit stations.</td>
<td>DPP</td>
</tr>
</tbody>
</table>
The Unilateral Agreement (UA) rules have helped produce about 300 affordable units annually since 2010. UAs are contributing to a more affordable housing stock, but the rules need updating. The idea that developers can contribute to the production of affordable housing has been implemented extensively on the mainland since the mid-1970s and remains an effective policy solution for many communities in response to rising housing costs.

Most programs requiring developers to contribute to the production of affordable housing are not linked to requests for zone changes (as in Honolulu). Rather, the requirements are triggered by either a request for subdivision or building permit. While market sensitivity studies can help customize affordable housing policy, many cities use a very similar framework. In general, municipalities require that developers set aside 10% to 25% of the total proposed units for low- to moderate-income households. The number of affordable units is lower than what Honolulu requires, but the units generally target households with Area Median Incomes (AMIs) lower than Honolulu. In effect, these regulations create fewer units, but help more households with greater needs, and typically for a longer term. Even in “hot markets” like San Francisco, Boston, Sacramento and San Diego the affordable rental units are dedicated to households with AMIs in the 65 to 80% range, while affordable homeownership opportunities target households with AMIs that do not exceed 100%.

If the developer can not construct the affordable units on-site, many communities offer an alternative to either build the units off-site or are pay a fee that is deposited into an account dedicated for the production or preservation of affordable housing. Often, in return for that “contribution”, density bonuses are provided or parking requirements are reduced – benefits that are similar to what Honolulu is contemplating in the areas near transit stations. Another key common component involves the period of affordability. Affordable units produced by Honolulu’s UA must remain affordable for 10 years, whereas Denver, San Francisco, Sacramento and San Diego require that units remain affordable for 15 to 55 years. In terms of a local comparison, developers benefiting from HHFDC tax credits are required to maintain affordability for 60 to 70 years (although this is in return for significant financing).

In light of these examples, and the documented need for rental housing at lower AMIs for longer periods of time, one potential scenario for new affordable housing requirements is as follows:

**PREFERRED: Construction of On-Site Affordable Housing**
- Rental: 15% of the units at 80% AMI or lower, or
- For Sale: 30% of the units at 120% AMI or lower.
- Length of Affordability: Units must remain affordable for 30 to 60 years.

**ALTERNATIVE: Off-Site Affordable Housing**
- Rental: 20% of the total units at 80% AMI or lower.
- Length of Affordability: Units must remain affordable for 30 to 60 years.

**ALTERNATIVE: In Lieu of Construction Fee**
- Fee equivalent to the cost of constructing a percentage of the total units as affordable (fee to be updated regularly to reflect current construction costs; fee deposited into a fund for the construction of affordable rental units or Housing First-type units up to 1/2 mile from the transit stations).
## Select Cities with Affordable Housing Requirements

<table>
<thead>
<tr>
<th>City (yr. adopted)</th>
<th>Applicability</th>
<th>Set Aside Requirement</th>
<th>Income Targets</th>
<th>Alternatives To On Site Development</th>
<th>Incentives</th>
<th>Control Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boston, Massachusetts (2000)</strong></td>
<td>Developments with 10 or more units</td>
<td>10%</td>
<td>At least one-half of affordable units for households earning less than 80% of the AMI; Remaining affordable units for households earning 80-120% of the AMI, with an average of 100% of the AMI</td>
<td>In lieu fee must be equal to 15% of the total number of market-rate units times an affordable housing cost factor; May build off-site, but set-aside requirement increases to 15%</td>
<td>No citywide developer incentives, but increased height and FAR allowances permitted in the financial district</td>
<td>“Maximum allowable by law”</td>
</tr>
<tr>
<td><strong>Denver, Colorado (2002)</strong></td>
<td>Developments with 30 units or more</td>
<td>10 % of for sale units or a voluntary 10% for rental units</td>
<td>65 % of the AMI for rental units and less than 80% of the AMI for sale units</td>
<td>In lieu fee tied to actual construction costs; Off-site construction; Land dedication</td>
<td>$5,000 reimbursement for each for sale unit, up to 50% of the total units in the development; $10,000 reimbursement for each affordable rental unit if unit is priced for households at 50% of the AMI or below; Expedited permit process; Parking reductions</td>
<td>15 years for all types of units</td>
</tr>
<tr>
<td><strong>Sacramento, California (2000)</strong></td>
<td>Any development over 9 units</td>
<td>15 %</td>
<td>One-third of households making 50-80% of the AMI. Two-thirds of households making less than 50% of the AMI</td>
<td>Can dedicate land off-site or build off-site if: • there is insufficient land zoned as multifamily on-site • alternative land or units must be in “new growth” areas</td>
<td>Expedited permit process for affordable units; Fee waivers; Relaxed design guidelines; May receive priority for subsidy funding</td>
<td>30 years for all types of units</td>
</tr>
<tr>
<td>City (yr. adopted)</td>
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<tr>
<td>San Diego, California (1992, revised in 2003)</td>
<td>Developments with 10 or more units</td>
<td>10 %</td>
<td>Rental units are set aside for households earning at or below 65 % of the AMI; For sale units are set aside for households earning at or below 100 % of the AMI</td>
<td>In lieu fee calculated based on the square footage of an affordable unit. Fee increases between 2003 and 2006 from $1.00 per square foot to $2.50 per square foot; Developers can opt to build off-site (set-aside does not increase)</td>
<td>None</td>
<td>55 years for all types of units</td>
</tr>
<tr>
<td>San Francisco, California (1992, revised in 2002)</td>
<td>Developments with 10 or more units</td>
<td>10 %</td>
<td>For rental units, households earning 80 % or less of the AMI; For sale units, households earning 120 % of the AMI</td>
<td>In lieu fee determined by several factors including the projected value of on-site affordable units; In lieu payments are made to the Citywide Affordable Housing Fund; Developers can elect to build affordable units off-site, but the set aside requirement increases to 15 %</td>
<td>Refunds available on the environmental review and building permit fees that apply to the affordable units</td>
<td>50 years for Rental and For Sale units</td>
</tr>
<tr>
<td>Montgomery County, Virginia (1974)</td>
<td>Developments with more than 50 units (fee charged on projects with fewer than 50 units)</td>
<td>12.5–15% of all units. Of these, local housing authority may purchase 33%; Qualified non-profit organizations</td>
<td>Up to 65% of MSA median income</td>
<td>In lieu fee not permitted; Developer may request approval to build affordable units off-site in contiguous planning area</td>
<td>Waiver of water/sewer development charge and development impact fees; 10% compatibility allowance and other incentives; Up to 22% density bonus</td>
<td>50 years for Rental and For Sale units</td>
</tr>
<tr>
<td>Fairfax County, Virginia (1990)</td>
<td>Developments with more than 50 units (fee charged on projects with fewer than 50 units)</td>
<td>12.5% in single-family home developments; 6.5% in multifamily developments</td>
<td>Up to 70% of MSA median income</td>
<td>In lieu fee and other alternatives to on-site construction permissible</td>
<td>25% Density Bonus</td>
<td>For Sale: 15 years Rental: 20 years</td>
</tr>
<tr>
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<tr>
<td>Loudoun County, Virginia (1993)</td>
<td>Developments with more than 50 units on sites with sewer and water</td>
<td>6.25%</td>
<td>Between 30-70% AMI for owners; 30-50% of AMI for renters</td>
<td>Buy-out (cash, units, land) under certain circumstances</td>
<td>Allows developers to convert unsold affordable units to market-rate units 120 days after the zoning permit has been issued</td>
<td>Rental: 20 years For Sale: 15 years</td>
</tr>
<tr>
<td>Boulder, Colorado (1999)</td>
<td>No threshold number – applicable to all residential developments</td>
<td>20% in for sale and rental developments (depending on project size)</td>
<td>60% AMI for renters; Low-income for owners as determined by the city</td>
<td>Half of the for sale units may be built off-site; Developers have flexibility with on/off-site mix of rental units; In lieu fee accepted</td>
<td>Waiver of development excise taxes</td>
<td>Permanent affordability by deed restriction</td>
</tr>
<tr>
<td>Davis, California (1990)</td>
<td>Developments with more than 5 units</td>
<td>25% in for sale developments; 25% in rental developments (depending on project size)</td>
<td>35% for up to 140% AMI; No more than 37.5% for over 140% and up to 160% AMI; And no more than 40% for over 160% and up to 180%</td>
<td>In lieu fee permitted for developments under 30 units or demonstration of “unique hardship”</td>
<td>25% density bonus</td>
<td>Permanent affordability for rental units; For sale units have no control period</td>
</tr>
<tr>
<td>Longmont, Colorado (1995)</td>
<td>No threshold number – applicable on all annexed land</td>
<td>10% of all units in annexation areas</td>
<td>60% AMI for renters, 80% AMI for owner-occupied units</td>
<td>In lieu fee permitted; case-by-case consideration of off-site construction</td>
<td>Relaxed regulatory requirements on parking, setbacks, landscaping etc.</td>
<td>For sale units have no control period; 5 years for rental units</td>
</tr>
<tr>
<td>Santa Fe, New Mexico (1998)</td>
<td>Applicable to developments with any unit targeted to over 120% of AMI, or sales price over $240,000</td>
<td>11% in developments with homes priced $240,000 - $400,000; 16% in developments with homes priced over $400,000</td>
<td>0-65% AMI, 65-80% AMI, 80-100% AMI, and 100-120% AMI</td>
<td>Not permitted, except in case of economic hardship</td>
<td>Bonus equivalent to set-aside percentage; 16% in developments targeting under 80% AMI, or sales price of $150,000; Waiver of building fees</td>
<td>30 years for all types of units; 30 year period starts over with each new occupant</td>
</tr>
</tbody>
</table>

Islandwide Housing Strategy – Draft for Review and Discussion
<table>
<thead>
<tr>
<th>City (yr. adopted)</th>
<th>Applicability</th>
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<th>Control Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irvine, California (1978)</td>
<td>No threshold number – applicable to all residential development</td>
<td>15%</td>
<td>5% very low, 5% low, 5% moderate</td>
<td>In lieu fee and other alternatives to on-site construction permissible</td>
<td>Development standard flexibility, fee waivers, monetary assistance</td>
<td>20 - 30 years determined case-by-case depending on financing</td>
</tr>
<tr>
<td>Pasadena, California (2001)</td>
<td>Developments with 10 units or more</td>
<td>15%</td>
<td>10% low and 5% low or moderate income (rental units only)</td>
<td>In lieu fees, off-site development, land donation</td>
<td>Fee waivers, density bonus, financial assistance for projects that exceed 15% set aside requirement, reduction in impact fees</td>
<td>Rent: in perpetuity For Sale: 30 years</td>
</tr>
<tr>
<td>San Clemente, California (2006)</td>
<td>Developments with 6 units or more</td>
<td>4%</td>
<td>Very low income households</td>
<td>In lieu fee, off-site development, land donation</td>
<td>Development standard flexibility, monetary assistance</td>
<td>30 years for all types of units, or longer depending on financing</td>
</tr>
<tr>
<td>Oxnard, California (1999)</td>
<td>Developments with 10 units or more</td>
<td>10%</td>
<td>Very low income households, moderate income households, seniors</td>
<td>In lieu fee, off-site development, land donation</td>
<td>N/A</td>
<td>30 years for all types of units, or longer depending on financing</td>
</tr>
<tr>
<td>Brea, California (1993)</td>
<td>Developments with 20 units or more</td>
<td>10%</td>
<td>Not specified</td>
<td>In lieu fee</td>
<td>Density bonus, development standard flexibility, fee waivers, building code alternatives, fund application assistance</td>
<td>Rental: 55 years For Sale: 45 years</td>
</tr>
<tr>
<td>Santa Paula, California (2004)</td>
<td>Coastal developments with 10 units or more</td>
<td>25%</td>
<td>40% very low, 60% low or moderate income</td>
<td>In lieu fee; Off-site construction allowed at 29% set-aside</td>
<td>Fee waivers</td>
<td>45 – 55 years</td>
</tr>
</tbody>
</table>

### Comparison between Current Unilateral Agreement Rules and Proposed Affordable Housing Requirements

<table>
<thead>
<tr>
<th>Current Unilateral Agreement</th>
<th>Proposed Islandwide Affordable Housing Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applies to projects needing rezoning at 10 units or more.</td>
<td>Applies to projects needing building permits for 10 units or more.</td>
</tr>
<tr>
<td><strong>Options:</strong></td>
<td>• Different % for rental and for-sale.</td>
</tr>
<tr>
<td></td>
<td><strong>Three options:</strong></td>
</tr>
<tr>
<td>A minimum of <strong>30% of total units</strong> must be affordable to those earning up to <strong>140% AMI</strong>.</td>
<td>CONSTRUCTION ON-SITE:</td>
</tr>
<tr>
<td></td>
<td>Rental:</td>
</tr>
<tr>
<td></td>
<td>15% of the units at 80% or less of AMI</td>
</tr>
<tr>
<td></td>
<td>For Sale:</td>
</tr>
<tr>
<td></td>
<td>30% of the units at 120% or less of AMI</td>
</tr>
<tr>
<td>Of this <strong>30%</strong>, a minimum of <strong>20%</strong> the total units must be affordable to those earning up to <strong>120% AMI</strong>, of which <strong>10%</strong> of the total units must be affordable to those earning up to <strong>80% AMI</strong>.</td>
<td>CONSTRUCTION OFF-SITE:</td>
</tr>
<tr>
<td></td>
<td>Rental:</td>
</tr>
<tr>
<td></td>
<td>20% of the units at 80% or less of AMI</td>
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<tr>
<td></td>
<td>In Lieu of Construction Fee:</td>
</tr>
<tr>
<td></td>
<td>Fee equivalent to the cost of constructing a % of the total units as affordable</td>
</tr>
<tr>
<td>Minimum required period of affordability of <strong>10 years</strong>.</td>
<td>Minimum required period of affordability of <strong>30 to 60 years</strong>.</td>
</tr>
</tbody>
</table>

**Note:** HCDA Reserved Housing rules for development in Kakaako require 20% of units at **140%** or less of AMI (for sale, for 5 years), and 15% (rental, for 15 years).
- Applies to 20,000 sf min. lots.
- All requirements are negotiable.