

(Chapter 38**RESIDENTIAL CONDOMINIUM, COOPERATIVE HOUSING AND RESIDENTIAL
PLANNED DEVELOPMENT LEASEHOLD CONVERSION****Repealed by Ord. 05-001)****Chapter 38****AFFORDABLE HOUSING REQUIREMENT****Articles:****1. General Affordable Housing Requirements****Article 1. General Affordable Housing Requirements****Sections:**

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Sec. 38-1.1 Purpose.

This chapter establishes a regulatory scheme for the development and use of real property within the city to promote the public welfare. It requires certain projects intended for residential use to contribute to the affordable housing supply by either constructing new dwelling units, substantially rehabilitating existing dwelling units, or providing improved land for affordable housing.

(Added by Ord. 18-10)

Sec. 38-1.2 Definitions.

As used in this chapter, unless the context requires otherwise:

“Area median income” or “AMI” means the median income determined by HUD annually for the Honolulu Metropolitan Statistical Area as adjusted for household size.

“Common entrance” means any area regularly used by any resident for ingress to and egress from a multifamily dwelling.

“Declarant” means the person executing the affordable housing agreement and the declaration of restrictive covenants required by Section 38-1.9.

“Department” means the department of planning and permitting.

“Development agreement” means the same as that described and authorized under Chapter 33.

“Development plan area” means the area specified within the city’s approved development/sustainable communities plan for that specific region of Oahu.

“Director” means the director of planning and permitting, or the director’s authorized representative.

“First marketing period” means the first 120 days during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

“Hotel” means the same as defined in Section 21-10.1, and also condo-hotels owned under a condominium property regime.

“HUD” means the United States Department of Housing and Urban Development.

“HUD AMI income limit” means the maximum household income limit for a household to be eligible for HUD assisted housing programs, as published annually by HUD.

“Interim planned development-transit project” or “IPD-T project” means a project for which an application for a permit is submitted pursuant to Section 21-9.100-5.

“Legal obligation” means an obligation or duty that is enforceable by a court of law, including but not limited to requirements or conditions imposed by unilateral agreements, development agreements, HRS Chapter 201H, or the State of Hawaii’s low-income housing tax credit program.

“Micro-unit” means a dwelling unit totaling 300 square feet or less of floor area.

“Off-site” means construction or other activities that occur on a zoning lot other than the project site.

“On-site” means construction or other activities that occur on the project site.

“Person” means an individual, partnership, association, corporation, limited liability company, or any other form of legal entity.

“Planned development-transit project” or “PD-T project” means a project for which an application is submitted pursuant to Section 21-9.100-10.

“Principal project” means a project containing a building or group of buildings with dwelling units and as to which the requirement to provide affordable dwelling units is imposed pursuant to this chapter.

“Project site” means one or more zoning lots that are developed under a single or unified project concept.

“Rail transit station area” means the TOD special district, as defined in Section 21-9.100. Where there is no adopted boundary under Chapter 21, then the boundaries reflected in the adopted neighborhood TOD plan will apply. Where there is no adopted neighborhood TOD plan, then the boundaries reflected in the draft neighborhood TOD plan at the time the application for the principal project is submitted to the department and accepted as complete will apply. As used herein, “draft neighborhood TOD plan” means the most current version of the plan then under consideration by the department or the council, commencing with the first public review draft released by the director to the community for review and comment. Council committee drafts of a plan are deemed under consideration by the council after they have been placed on a full council agenda for public hearing or adoption. Council floor drafts of a plan are deemed under consideration by the council after the council has amended the plan to the floor draft version. Where there is no neighborhood TOD plan that has been adopted or that is under consideration, then the area within, including properties intersecting, a one-half mile radius of a future rail transit station identified in the Honolulu High Capacity Transit Corridor Project Environmental Impact Statement, accepted by the Governor of the State of Hawaii on December 16, 2010, and any future amendments or supplements thereto, will apply.

“Rental” or “for-rental” means a dwelling unit that is leased or rented for a term of between 30 days and 30 years in length.

“Sale” or “for-sale” means a dwelling unit that is for sale in fee simple or in leasehold with a term of 30 years or more.

“Second marketing period” means the 120-day period immediately following the first marketing period, during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

“Special needs housing” means housing that is used to provide living accommodations and, in some cases, care services for certain segments of the population with special living requirements, which include the elderly; persons with physical, mental, or behavioral disabilities; persons with human immunodeficiency virus/acquired immune deficiency syndrome; or persons with alcohol or drug addiction. Often such housing includes special features, such as congregate dining and social rooms; laundry, housekeeping, and personal assistance services; shuttle bus services for project residents; and skilled nursing beds or physical therapy clinics.

“Substantial rehabilitation” means:

- (1) Improvement of a property to a decent, safe, and sanitary condition that requires more than routine or minor repairs or improvements. It may include but is not limited to gutting and extensive reconstruction of a dwelling unit, or cosmetic improvements coupled with the curing of a substantial accumulation of deferred maintenance; or
- (2) Renovation, alteration, or remodeling to convert or adapt structurally sound property to the design and condition required for a specific use, such as conversion of a hotel to housing for elders.

“Third marketing period” means the 120-day period immediately following the second marketing period, during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

“TOD” means transit-oriented development.

“TOD special district project” means a project for which an application for a major TOD special district permit is submitted pursuant to Section 21-9.100-9.

“Unilateral agreement” means the same as that described and authorized under Section 21-2.80.

For purposes of this chapter, the following terms have the meanings given to such terms as set forth in Section 21-10.1: “accessory dwelling unit,” “development,” “dwelling unit,” “dwelling, multifamily,” “floor area,” “group living facilities,” “ohana dwelling unit,” “time share unit,” and “zoning lot.”

(Added by Ord. 18-10)

Sec. 38-1.3 Applicability.

(a) This chapter applies to any of the following:

- (1) New construction of ten or more for-sale dwelling units developed under a single or unified project concept, on one or more zoning lots;
- (2) Any subdivision of land creating ten or more zoning lots for residential use in residential, apartment, apartment mixed use, business mixed use, country, or agricultural zoning districts;
- (3) Conversion of hotels, offices, or other uses into multifamily dwellings containing ten or more total for-sale dwelling units; or conversion of rental dwelling units into for-sale dwelling units containing ten or more total for-sale dwelling units; or
- (4) Any of the following that include ten or more for-sale dwelling units:
 - (A) Cluster housing permits;
 - (B) Planned development housing permits; or
 - (C) Multi-family dwelling units.

(b) This chapter does not apply to any of the following:

- (1) Any development subject to a unilateral agreement or development agreement approved by the city and recorded prior to April 3, 2018;
- (2) Any subdivision granted tentative approval of the preliminary subdivision map prior to April 3, 2018;
- (3) Any building permit, cluster housing permit, or planned development housing permit application submitted and accepted as complete prior to April 3, 2018;
- (4) Any development that meets or exceeds all aspects of the applicable affordable housing requirements of this chapter pursuant to affordable housing requirements imposed by a legal obligation;
- (5) Micro-units;
- (6) Accessory dwelling units;
- (7) Ohana dwelling units;
- (8) Group living facilities;
- (9) Special needs housing;
- (10) Time share units; or
- (11) Any development for which:
 - (A) At least 75 percent of the total number of dwelling units in the development are sold to households earning 120 percent and below of the AMI; or
 - (B) All of the dwelling units in the development are sold to households earning no more than the HUD AMI income limit, and at least 20 percent of those units are sold to households earning 100 percent and below of the AMI.

(Added by Ord. 18-10)

Sec. 38-1.4 Affordable housing requirement.

- (a) The affordable housing requirements set forth in Table 38-1.4 of this subsection apply to all projects subject to this chapter pursuant to Section 38-1.3. The requirements must be met by satisfying one or a combination of the options in this section subject to the director's approval. If a combination of options is used, the declarant shall designate the proportionate share of the affordable housing requirement that each option will fulfill, and the sum of the proportionate shares must equal or exceed one. Fulfillment of the requirement may account for varying unit sizes, lower income ranges, rounding, or other factors, subject to the director's approval, as established in rules adopted pursuant to Section 38-1.11. Affordable for-sale dwelling units must be owner occupied.

TABLE 38-1.4
AFFORDABLE HOUSING REQUIREMENT PROVISIONS, AS A PERCENTAGE OF THE TOTAL NUMBER OF DWELLING UNITS IN THE PRINCIPAL PROJECT

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

- (1) For-sale affordable dwelling units must be sold to households earning 120 percent and below of the AMI. At least one-half of those units must be sold to households earning 100 percent and below of the AMI.
- (2) For-rental affordable dwelling units must be rented to households earning 80 percent and below of the AMI.
- (3) Any on-site or off-site affordable dwelling unit provided through substantial rehabilitation will count as one unit.
- (4) The affordable housing requirements for IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, are base affordable housing requirements. If affordable dwelling units are being provided as a community benefit to justify increased height or density, or both, the affordable dwelling units being provided as a community benefit must be in addition to the base affordable housing requirements for IPD-T, PD-T, or TOD special district projects.
- (5) For-sale affordable dwelling units must remain affordable for not less than five years after the date when the unit is initially sold to a qualified buyer.
- (6) For-sale affordable dwelling units must remain affordable for not less than 10 years after the date when the unit is initially sold to a qualified buyer.
- (7) For-sale affordable dwelling units must remain affordable for not less than 30 years after the date when the unit is initially sold to a qualified buyer.
- (8) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project.
- (9) Applies to off-site production of affordable housing that is located outside of rail transit station area in which the principal project is located.
- (10) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located within the same development plan area as the principal project.
- (11) Applies to off-site production of affordable housing that is located outside of rail transit station area in which the principal project is located; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located outside of the development plan area in which the principal project is located.
- (12) The appraised value of the real property conveyed must, at a minimum, be equal to an amount that will be established and may be periodically adjusted by rules adopted by the director pursuant to Section 38-1.11.

- (b) On-site production. Affordable dwelling units, for-rental or for-sale, are constructed on the same project site as the principal project. The required number of affordable dwelling units constructed on-site is specified in Table 38-1.4. Affordable units and market-rate units in the same multifamily dwelling must share common entrances.
- (c) Off-site production. Affordable dwelling units, for-rental or for-sale, are constructed off-site from the project site on which the principal project is located. The required number of affordable dwelling units constructed off-site is specified in Table 38-1.4.
 - (1) Off-site production of for-rental dwelling units to satisfy the affordable housing requirement for principal projects located within a rail transit station area must be satisfied within the same rail transit station area in which the principal project is located; provided that upon a showing of good cause, and subject to terms and conditions approved by the director, the director shall have the discretion to allow the satisfaction of off-site production in other areas of the city.
 - (2) Off-site production of for-rental dwelling units to satisfy the affordable housing requirement for principal projects located outside of any rail transit station area must be satisfied within the same development plan area in which the principal project is located; provided that upon a showing of good cause, and subject to terms and conditions approved by the director, the director shall have the discretion to allow the satisfaction of off-site production in other areas of the city.
 - (3) Off-site production of for-sale dwelling units to satisfy the affordable housing requirement for principal projects located within a rail transit station area may be satisfied within or outside of the same rail transit station area in which the principal project is located, in accordance with the required percentage amounts in Table 38-1.4.
 - (4) Off-site production of for-sale dwelling units to satisfy the affordable housing requirement for principal projects located outside of any rail transit station area may be satisfied within or outside of the same development plan area in which the principal project is located, in accordance with the required percentage amounts in Table 38-1.4.
- (d) Conveyance of land. The provision of on-site or off-site units are the preferred options for the affordable housing requirements established by this section, and the conveyance of land is only allowed if no suitable on-site or off-site location is available, or if the developer's financing arrangements preclude the developer's participation in off-site projects. Under the foregoing circumstances, the director may approve the conveyance of improved land in fee simple to the city or a third party. Such land may be located on-site or off-site of the project site at a location approved by the director, must be zoned and suitable for the construction of affordable dwelling units, and must be improved with all necessary off-site infrastructure completed to city standards to the property boundary line.
The appraised value of the real property conveyed must, at a minimum, be equal to an amount that will be established and may be periodically adjusted by rules adopted by the director pursuant to Section 38-1.11; provided that effective January 1 of each year, the director shall adjust the amount by a factor equal to the most recently published Consumer Price Index for All Urban Consumers (CPI-U), with the base year established as of April 3, 2018. The city may refuse to accept any real property if it requires the payment by the city for any market value in excess of the foregoing specified amount. The director, with the advice and consent of the director of land management, shall determine whether to accept and approve such land to satisfy the affordable housing requirement.

(Added by Ord. 18-10)

Sec. 38-1.5 Affordability period.

- (a) For-rental affordable dwelling units created in compliance with this chapter must be rented to households earning the percentage of the AMI specified in Table 38-1.4, at prices affordable to such households, and must remain affordable for not less than 30 years after the date when the unit is initially rented to a qualified renter.
- (b) For-sale affordable dwelling units created in compliance with this chapter must be offered for sale to households earning the percentage of the AMI specified in Table 38-1.4, at prices affordable to such households, and must remain affordable for not less than the period specified in Table 38-1.4, based on the applicable percentage of the total number of dwelling units in the principal project being provided as affordable dwelling units.

(Added by Ord. 18-10)

Sec. 38-1.6 Marketing period.

For-rental and for-sale affordable dwelling units created in compliance with this chapter must be marketed as follows:

- (a) During the first marketing period, affordable dwelling units must be marketed, and may be rented or sold, as applicable, to households earning the percentage of the AMI specified in Table 38-1.4, at prices affordable to such households.
- (b) If, at the end of the first marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then during the second marketing period, the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the first marketing period, provided that the percentage of the AMI cannot exceed the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table 38-1.4.
- (c) If, at the end of the second marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then during the third marketing period, the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the second marketing period, provided that the percentage of AMI cannot exceed the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table 38-1.4.
- (d) If, at the end of the third marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning not more than the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table 38-1.4.

(Added by Ord. 18-10)

Sec. 38-1.7 Appeals.

Appeals from the decision of the director must be filed within 30 days of the mailing or service of the director's decision.

(Added by Ord. 18-10)

Sec. 38-1.8 Procedures.

- (a) As a condition of and prior to final approval of any permit or approval for a project that contains ten or more for-sale dwelling units or lots, including without limitation subdivision applications, cluster housing permits, planned development housing permits, or building permits, the permit applicants shall execute an affordable housing agreement acceptable to the director and execute and record a declaration of restrictive covenants that encumbers the project site and any off-site zoning lot that is used to satisfy the affordable housing requirement imposed in connection with the principal project and that describes the affordable housing requirements acceptable to the director, including without limitation, the enforcement of such requirements. If the permit applicants are not the fee owners of the project site and any applicable off-site zoning lot used to satisfy the affordable housing requirement, the affordable housing agreement and the declaration of restrictive covenants must also be executed by all of the fee owners of those parcels. The director may defer the requirement to record the declaration of restrictive covenants until a time not later than issuance of the first building permit for a dwelling unit or as otherwise acceptable to the director. The form and content of the declaration will be subject to the director's approval and the city must be a party. The declaration must be recorded in the bureau of conveyances (regular system) or the office of the assistant registrar of the land court of the State of Hawaii, or both, as appropriate. The term of the declaration of restrictive covenants must be for the period of affordability and shall run with the land and bind and give notice to all subsequent grantees, assignees, mortgagees, lienors, and any other person who claims an interest in the project site or any zoning lot on which the affordable housing requirement is being satisfied.

- (b) On an annual basis, the declarant shall submit a written status report to the director documenting the declarant's compliance with the affordable housing requirement of this article. The status report must be submitted to the director by December 31 of each year until such time as the term of the declaration of restrictive covenants expires.

(Added by Ord. 18-10)

Sec. 38-1.9 Violation.

A breach of the restrictive covenants recorded under Section 38-1.8 with respect to a project may result in civil enforcement and the city may seek to enforce the terms of the restrictive covenants by appropriate action at law or suit in equity against the parties and their successors and assigns. The director may take appropriate action to terminate or stop the project until applicable conditions are met, including but not limited to revoking any permits issued for the project and withholding issuance of other permits related to the project.

(Added by Ord. 18-10)

Sec. 38-1.10 Administration and fees.

- (a) The director shall administer this chapter.
- (b) Fees for the administration and implementation of this chapter will be assessed on the owners of for-sale affordable dwelling units and the occupants of for-rental affordable dwelling units subject to this chapter.
- (c) Applicable fees.
- (1) For-sale affordable dwelling units will be subject to an annual monitoring fee of \$50.00 per unit.
 - (2) For-sale affordable dwelling units will be subject to a fee of \$600.00 per unit each and every time the real property title of the unit changes pursuant to Section 38-1.5.
 - (3) For-rental affordable dwelling units will be subject to annual monitoring by a private compliance monitoring service, the fees for which will be paid by the owner of an affordable rental dwelling unit directly to the private compliance monitoring service.
- (d) The director may take action to refer delinquent payments of fees pursuant to this section to a debt collector on behalf of the city.
- (e) All monies collected from fees pursuant to this section will be deposited into a special account within the general fund, and may only be used for the administration and implementation of this chapter.

(Added by Ord. 18-10)

Sec. 38-1.11 Rules.

- (a) The director shall adopt rules pursuant to HRS Chapter 91 to implement, administer, and enforce this chapter.
- (b) At a minimum, the director shall adopt rules to:
- (1) Regulate the resale of affordable dwelling units under Section 38-1.5 to ensure the units remain within the same AMI range, as adjusted from time-to-time; and
 - (2) Establish an affordable housing compliance monitoring program, to be administered by a third party, to manage and implement the for-rental and for-sale affordable dwelling units created in compliance with this chapter, for purposes of ensuring compliance with affordability requirements and periods. At a minimum, the affordable housing compliance monitoring program must address the performance of the following functions:
 - (a) Maintenance of an affordable housing database;
 - (b) Compliance investigations;
 - (c) Responses to inquiries; and
 - (d) Income verifications.

(Added by Ord. 18-10)