

Implementing the Affordable Housing Strategy

Oahu is experiencing a housing crisis, and needs to build more than 24,000 housing units to address demand. Over three quarters of the demand is for households earning less than 80% of area median income (AMI), or \$80,450 for a family of four. The Mayor’s Affordable Housing Strategy addresses these needs with new and revised policies, incentives, regulations, and investments, in partnership with developers, builders, and other stakeholders. More sustained focus on projects, partnerships, funding, and use of City lands is needed to accelerate affordable housing production. Ongoing infrastructure investment in transit-oriented development (TOD) areas is critical to support affordable housing on city and state lands. Implementing the City’s Housing Strategy could add around 800 affordable units/year, once construction of planned projects is completed. If the State continues funding affordable housing projects at a similar rate and capitalizes on TOD opportunities on state lands, the deficit could be met in fifteen years.

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.

Major new initiatives proposed, most of which need City Council action, include:

Affordable Housing Requirement (AHR). This “inclusionary” housing requirement will apply to all development over 10 units. Current regulations, applied to rezoning, require only ten years of affordability. The new policy requires fewer units, but at lower income levels, and for three times longer. Since the TOD area includes new mixed-use zoning and potential height and density bonus, it is higher than the islandwide requirement. Extensive technical analysis showed the need to phase in the requirement beyond the Ala Moana and Downtown areas. On the rest of the island the number of required units is even lower because of market conditions (see requirements per geographic area in table below).

Affordable Housing Requirement: TOD Areas	Affordable Housing Requirement: Islandwide
Applies to projects in designated rail station areas needing building permits for 10 units or more, with different percentages for rental and for-sale. May be adjusted for varying unit sizes and lower income ranges.	Applies to projects islandwide (outside of TOD Areas) needing building permits for 10 units or more, with different percentages for rental and for-sale. May be adjusted for varying unit sizes and lower income ranges.
PHASING: AHR becomes effective (1) In Ala Moana, Downtown, and Chinatown rail station areas ON ADOPTION – full ‘TOD Areas’ requirement (2) Remainder of the rail transit station areas become effective in two phases: ONE YEAR AFTER ADOPTION – lower requirement, regulated under the “Islandwide” requirement THREE YEARS AFTER ADOPTION – full requirement, regulated under the “TOD Areas” requirement	PHASING: AHR becomes effective ONE YEAR AFTER ADOPTION. Note: These lower requirements are also temporarily effective throughout the remainder of the rail station areas, as specified at left in the TOD Areas phasing paragraph (2).
Three options:	Three options:
CONSTRUCTION ON-SITE: If Rental: 15% of the units at up to 80% of AMI If For-Sale: 20% of the units at up to 120% of AMI (1/2 up to 100%)	CONSTRUCTION ON-SITE: If Rental: 5% of the units at up to 80% of AMI If For-Sale: 10% of the units at up to 120% of AMI (1/2 up to 100%)
CONSTRUCTION OFF-SITE: If Rental: 15% of the units at up to 80% of AMI If For-Sale: 25% of the units at up to 120% of AMI (1/2 at up to 100%)	CONSTRUCTION OFF-SITE: If Rental: 5% of the units at up to 80% of AMI If For-Sale: 15% of the units at up to 120% of AMI (1/2 at up to 100%)
IN LIEU OF CONSTRUCTION FEE (or LAND DEDICATION): Cash contribution or improved land in lieu of building affordable units (proposed fee \$45 per finished SF).	IN LIEU OF CONSTRUCTION FEE (or LAND DEDICATION): Cash contribution or improved land in lieu of building affordable units (proposed fee \$45 per finished SF).
Minimum required period of affordability 30 years.	Minimum required period of affordability 30 years.

- **Financial Incentives.** For all qualified affordable housing units produced, the City will eliminate sewer hook-up fees, park dedication fees, and DPP building permit and plan review fees. Real property taxes will be waived for rental projects for as long as the units remain affordable. Property tax increases during construction will also be waived for all units for projects that include required affordable units. We are considering a development industry proposal to provide fee and property tax waivers for all units in rental projects where most units are at 140% AMI, with a portion at 80% AMI.
- **Transit-Oriented Development Zoning.** The biggest incentive in the TOD areas is the City's updated mixed-use zoning; in process of adoption by Council. This will save developers time and money - as long as they are following the neighborhood TOD plans. In return for additional height and density, they will have to provide affordable housing and other community benefits. In some cases, the city may provide density bonuses and reduced parking requirements in return for additional affordable units and other benefits; along with expedited processing for qualified affordable projects.
- **Accessory Dwellings.** The accessory dwelling unit (ADU) ordinance allows most homeowners to build a small cottage or addition, or renovate part of their house to rent; it helps with their family budget too. Council waived all fees for two years as an added incentive. Over 1,200 people checked to see if their lot qualifies, and over 116 permits have been granted. We are working with contractors to provide master permits for ADU units, to accelerate approvals and production.
- **Rental Housing Finance.** The City is developing a program to provide over \$100 million per year of Private Activity Bonds, which rental housing developers can use to match the 4% low-income housing tax credits. This financing could produce hundreds of new rental units each year.
- **TOD Infrastructure.** We are working with State agencies and landowners to create an Iwilei-Kapalama infrastructure master plan and finance district. The first phase will accelerate Awa Street Pump Station basin improvements, so that projects at Mayor Wright Housing and Kamehameha Schools lands will be able to hook-up when housing starts coming on line in the next few years. Overall planned infrastructure improvements throughout the TOD corridor total \$1.2 billion.

Leveraging City Lands and Funding

The City will expedite use of its lands and assets for affordable housing projects, in partnership with private developers and the State. We have two projects close to breaking ground: Halewaiolu, an elderly housing project on River Street with over 150 affordable units, and Verona Village, with an RFP just issued for mixed-income and affordable homes. Key City-owned properties that could be released via RFP to developers include:

- 17 acres of vacant land along the Kapolei Parkway, between the Mehana development and Kapolei Lofts. These properties are ripe for mixed use development, with a focus on affordable rental housing.
- At Pearlridge Rail station, a multimodal bus transit center, commercial development and affordable housing next to the Pearl Harbor Historic Trail.
- Lands surrounding Ala Moana Rail stop offer significant potential. Although not City-owned, the City is exploring a major bus transit center, significant commercial space and a residential tower.
- The final phase of West Loch has 11 acres with potential for a mixed-use affordable housing project.
- 10 acres of residential lands in Kalaheo, nestled in a single family neighborhood, which will take some creativity to build a successful affordable housing project.
- 7 acres at the old Aiea Sugar Mill could be converted into a mixed-use, residential project.
- Although mostly not City-owned, there are office properties in downtown Honolulu that could be retrofitted as residential projects. We are seriously examining potential conversions, such as Alii Place, where the City owns the land.
- An 18 acre parcel near Leeward Community College, below the rail maintenance center, close to the rail station, the Pearl Harbor Historic Trail, and with Pearl Harbor views.