



## RESOLUTION

ESTABLISHING A CITY AFFORDABLE HOUSING STRATEGY.

WHEREAS, the people of the City and County of Honolulu face a continuing critical shortage of affordable housing in the City; and

WHEREAS, many residents find that they can no longer afford, or expect to afford in the future, the high cost of housing in the City; and

WHEREAS, the growing problem of the lack of affordable housing in the City threatens to undermine our quality of life, and to permanently erode the City's social and economic foundations; and

WHEREAS, there is broad consensus that the lack of affordable housing is a complex problem, reflecting general supply and demand forces, as well as the factors specific to housing market dynamics, over which the City has limited or no control, such as income and jobs, and interest rates, to name a few examples; and

WHEREAS, however, the Council is in a position to exercise policy guidance and leadership on addressing affordable housing; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the following policies and legislative initiatives be utilized to address the affordable housing problem in the City:

### **I. Affordable Housing Advisory Committee Recommendations (2006)**

Implement the key recommendations of the Mayor's Affordable Housing Advisory Committee (AHAC 2006 Report):

1. Hire a special assistant to the Mayor on housing. (AHAC 2006 Report)
2. Create opportunities for increased densities. (AHAC 2006 Report)
3. Use existing city programs and resources. (AHAC 2006 Report)
4. Streamline/fast track entitlement and permitting processes. (AHAC 2006 Report)
5. Provide incentives for the development of affordable housing. (AHAC 2006 Report)



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6. Maximize leveraging of all resources. (AHAC 2006 Report)
7. Preserve existing affordable rental housing. (AHAC 2006 Report)
8. Combine mass transit and transit oriented development to enhance the potential for increasing the stock of affordable housing. (AHAC 2006 Report)
9. Actively lobby for state and legislative support. (AHAC 2006 Report)

### II. City Auditor's Recommendations (2007)

Implement the key recommendations of the Audit of the City's Management of Unilateral Agreements in Affordable Housing, prepared by the Office of the City Auditor, Report No. 07-05, October 2007 (2007 Auditor's Report):

1. There should be an update of the Department of Planning and Permitting's (DPP) formal policies and procedures for administering unilateral agreements, including monitoring requirements.
2. A matrix or database with timely data should be maintained by DPP, which specifies a developer's affordable housing requirement, number of units completed, and outstanding units to be delivered.
3. Systematic record-keeping efforts should be initiated by DPP to account for all affordable housing units constructed under unilateral agreements, as well as track all unilateral agreement ordinances, developers' annual reports, affordable housing credits, in-lieu fees, site visits, and other pertinent information.
4. The rules for unilateral agreements in affordable housing should be amended by DPP to establish an in-lieu fee formula that is consistent with the goals and objectives to be established for the use of in-lieu fees.
5. The rules for unilateral agreements in affordable housing should be amended by DPP proposing a framework for the accrual and application of excess affordable housing credits.
6. Affordable housing credits should be tracked more closely by DPP, if it plans to allow continued application of excess credits from one unilateral agreement to another.



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7. A procedure should be established by DPP, where it will document, as part of its housing agreement authorization, how the delivery options exercised by developers conform to general, development, or sustainable community plan provisions related to affordable housing.
8. DPP should report all verified affordable housing data in its annual report to the Council, as required by city ordinance.
9. DPP should evaluate its staffing allocation for unilateral agreement monitoring and, if necessary, redistribute current staff or request the necessary number of positions needed to administer unilateral agreements.
10. Future ordinance provisions related to unilateral agreements in affordable housing should be enforced by DPP.
11. Clarifications to Section 6-46.2 ROH, should be considered relating to the purpose of the housing development special fund by specifying whether in-lieu fees intended for *affordable* housing purposes should be an option or requirement.
12. Amendments to Section 6-46.2, ROH, should be considered relating to the use of in-lieu fees for *affordable* housing and allow alternative uses for in-lieu fees collected from developers.
13. Amendments to Section 6-46.3, ROH, should be considered to designate a city agency to monitor, plan, and expend in-lieu fees collected by the city.
14. Further review of the expenditures from the housing development special fund should be considered.

### **III. Affordable Housing Advisory Group Comprehensive Housing Strategy Recommendations (2008)**

Adopt sound policy introduced and adopted by the Mayor's Affordable Housing Advisory Committee Comprehensive Housing Strategy Group (September 11, 2008 Report). The 2008 AHAG Comprehensive Housing Strategy (2008 AHAG Strategy) identified and made major recommendations regarding the following major structural and organizational changes that need to be made within the various levels of government to increase the number of housing units constructed annually, in all three



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housing categories (assisted housing, affordable/workforce housing and market rate housing), within the City and County of Honolulu:

A. Recommended changes to city government administrative rules and regulations.

1. The City should consider establishing an Office of Housing (that is fully staffed) in the executive branch to implement this adopted Comprehensive Housing Strategy. Or, if such an office cannot be budgeted, a "task force" should be formed and chaired by the City Managing Director, or the Deputy Managing Director, to spearhead and resolve housing tasks and issues that are difficult to address under the current city organizational structure (in which at least five departments are involved in housing-related functions). This Office of Housing, or task force, should implement the actions recommended, including but not limited to:
  - Implement the comprehensive housing strategy created by the Affordable Housing Advisory Committee; and
  - Assist DPP in establishing a permanent long-range housing planning capability for housing.
2. Develop more incentives with density bonuses, credits, and other zoning benefits to leverage private investment.
3. Consider the establishment of redevelopment zones and support transit-oriented development areas in which assisted, affordable/workforce, and gap group housing units can be built.
4. Revise the "Rules for Unilateral Agreements Requiring Affordable Housing." The Rules governing housing units built under the UA program require substantial amendments in order to make it a more flexible and usable tool and to provide the types of incentives needed to develop affordable units where the demand is greatest. Among the revisions are:
  - Allowing the "transfer and sale" of housing credits to another project;
  - Establishing enhancement credits for affordable rental and for-sale housing;



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- Allow third party verification of "qualified" buyers and renters thus relieving the DPP staff of this task; and
- B. Funding for infrastructure.
1. Leverage private, federal, state and county funds for infrastructure capacity building in the urban core areas and areas identified for future growth. This includes greater use of the tax increment financing and community facility district bonds.
  2. Plan and budget for installation of major backbone infrastructure to support redevelopment with the high capacity transit project.
- C. Regulatory Barriers.
1. The City should continue to be actively involved in the U.S. Department of Housing and Urban Development's ("HUD") "National Call to Action" campaign in streamlining the entitlement process and reducing regulatory barriers for affordable housing projects.
  2. Over the years, HUD has found that regulations such as out-of-date building codes, duplicative or time-consuming design review or approval processes, burdensome rehabilitation codes, restrictive or exclusionary zoning ordinances, unnecessary or excessive fees or taxes, extreme environmental restrictions, and excessive or "gold-plated" land development standards, all contribute to higher housing costs and production delays.

### **IV. Affordable Housing Rezoning Requirements**

Establish clear, standardized, and enforceable affordable housing requirements for zone changes needed for residential developments, including the following:

1. Rezoning housing developments with less than one hundred (100) units shall not be required to build affordable units, but may satisfy affordable housing conditions by other allowable options.
2. Retain the existing options to meet affordable housing requirements which include the following:



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- Construct affordable housing units for sale or rent on the re-zoned project site. (2007 Auditor's Report)
  - Construct affordable housing units for sale or rent on property other than the re-zoned project site. (2007 Auditor's Report)
  - Provide finished house lots for owner-builder efforts.
  - Convey improved or unimproved land, on- or off-site, suitable for affordable housing construction. (2007 Auditor's Report)
  - Contribute a cash, or "in-lieu" fee based on a set formula. (2007 Auditor's Report)
  - Housing developers may utilize excess affordable housing credits earned under a unilateral agreement to meet affordable housing requirements imposed by another unilateral agreement. (2007 Auditor's Report).
3. Retain the existing affordable housing requirement of 30% of total units.
  4. Increase the threshold to 140% AMI to allow more working families to qualify for affordable housing, and to be consistent with federal, state and other counties, as well as to be consistent with the new council policy in Resolution 09-241, CD1.
  5. Retain the option of in-lieu fees and the existing definitions. The in-lieu fees should be used for affordable housing programs as established by the City Council and City administration.
  6. Allow the transfer and sale of housing credits to another project.
  7. Retain DPP director's existing discretion and flexibility in allowing the excess and receiving sites of affordable housing outside of the same geographic area and outside 7.5 miles from the project site, which would encourage the preservation of existing affordable housing developments, allow new affordable housing in areas which lack affordable housing and in transit-oriented development areas.
  8. Establish further enhancement credits for affordable rental and for sale housing and allow the transfer and sale of development rights to encourage



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the development of affordable housing in areas which lack sufficient affordable housing and in TOD areas.

9. Allow housing credits related to "step-up-marketing periods." If affordable units remain unsold or unrented after ninety (90) days under a marketing plan approved by DPP, the affordable units may be offered to the next higher target income group.
10. Affordable housing developers should be allowed flexibility with respect to location, dimension, design and materials, and should not be required to build affordable units similar to, or larger than market units.
11. Affordable housing credits should be allowed for building excess affordable housing units, including but not limited to: building affordable homes or rentals when not required by a UA, exceeding the affordable unit requirements set forth in a UA, or preserving existing housing as affordable units.
12. Affordable housing credits should be good for at least twenty years.
13. The director of DPP should have the general power to grant exemptions from the UA rules and UA agreements, based on demonstrated hardship or significant or unusual changes in circumstances.
14. Affordable housing projects should receive expedited processing though time limits on city approvals.
15. Retain existing restriction periods for buy-back restrictions.
16. The ten-year owner-occupancy requirement should be deleted from the UA rules, because it is based on a state law relating to state developed or state-funded housing projects, therefore, it should not apply to solely private housing developments.



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### **V. Cash In-lieu Fees for Affordable Housing**

1. Allow payment of cash in-lieu fees as a means of satisfying affordable housing conditions in unilateral agreements incorporated in zone change ordinances.
2. When permitted, base the amount of a cash in-lieu fee on an amount equal to the difference between the estimated cost of building the affordable housing units, less the estimated sales price of the affordable housing units at the time the in-lieu payment is due. The in-lieu fees shall be used for affordable housing programs as established by the City Council and City administration.

### **VI. Appropriations from the Affordable Housing Fund**

Expend moneys from the affordable housing fund only in accordance with policies established by the City Council and City administration.

### **VII. Property Tax Exemptions for Affordable Housing Development**

Review and implement real property tax exemptions as a means of encouraging the development of affordable housing in Honolulu;

and



RESOLUTION

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Mayor and Managing Director.

INTRODUCED BY:

*[Handwritten Signature]* (BR)

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CITY AND COUNTY OF HONOLULU

DATE OF INTRODUCTION:

**JAN 30 2014**

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Honolulu, Hawaii

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Councilmembers