

**Bill 7 (2019)**  
**Early Testimony**

March 25, 2019

Councilmember Kymberly Marcos Pine  
Chair, Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing,

My name is Grant Chang and I am the Director of Architecture for Lowney Architecture Hawaii.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019, which contains many of the features of Bill 7 as proposed by the Department of Planning and Permitting, but with important differences as pointed out by others who are supporting the M&M alternate bill.

This bill will provide incentives for landowners and developers to build vitally needed affordable rental units on lands already zoned for multi-family dwellings.

I was born and raised in Honolulu, Hawai'i but left for college in 2000. It was always a dream of mine to come home to live and raise a family here in the islands but the lack of housing and affordable options as well as a tourist centric local economy made it impossible. Work/projects for my San Francisco based firm allowed me to move back in 2016 and it was really eye opening to see the lack of affordable, reasonable options for housing in the urban core of Honolulu as I scoured the market for a place to live (even moving from San Francisco it was a shock). I ended up having to move in with my family for a while as I couldn't find anything in my budget in the competitive housing climate.

As an Architect it was shocking to see neighborhoods like Makiki and Mo'ili'ili, prime locations in Urban Honolulu full of a degrading stock of walk up units and empty lots. The larger neighborhoods suffer and instead of standing proud as the historic urban fabric of old Honolulu they seem forgotten. The proposed bill would help to fix this and make parcels that are currently unviable by the Land Use Ordinance into projects that can generate income. The new stock of housing that the bill would allow would not just provide a solution to the housing crisis from a numbers stand point but it would also be investing in local neighborhoods

bringing in new density/vibrancy which would increase foot traffic and the demand for local retail in the areas.

The bill is an important step in multiple fronts. It would allow local people like myself that are just priced out of the local market to move home (or stay home instead of moving due to cost of living). It is also investing in the future of our city and neighborhoods adding to the urban fabric and improving the areas for current residents.

This bill is certainly a step in the right direction to provide more badly needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Aloha,

Grant Chang

Fergus & Company  
A LIMITED LIABILITY COMPANY

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March 25, 2019

Councilmember Kymberly Marcos Pine, Chair  
Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing:

My name is Mike Fergus and I have been developing and managing commercial real estate in Hawaii for more than 30 years.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019, which contains many of the features of Bill 7 as proposed by the Department of Planning and Permitting, but with important differences, as pointed out by others who are supporting the M&M alternate bill.

This bill will provide incentives for landowners and developers to build vitally needed affordable rental units on lands already zoned for multi-family dwellings.

Why is this important?

#1 – there is a huge need for affordable rental units. This is one area of the housing market that has been neglected because it has been too hard to build these units and still make a return on the investment. This bill would change that by focusing on low to mid-rise, walk-up buildings that can be built economically, much like they were in the '50s and '60s. The rental apartments that will be built are to be 100% rented to those making 100% of the Honolulu AMI and less. This equates to \$81,700 for a single person to \$116,600 for a family of four. We anticipate that monthly rents would be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.

#2 – these units will be built on lands already zoned for apartments so the conflicts that we see with monster homes being built in residentially zoned areas will be eliminated. These monster homes are being built in residential areas because there is a need for more affordable housing and that is one way that the private sector will move to meet the demand. This bill provides a better solution.

What is the potential number of units that could be built?

DPP looked at this and estimated that between 14,000 and 21,000 additional units could be built in Apartment zoned lands with these kinds of incentives. This estimate does not include Apartment Mixed Use land, Business zoned lands, or Business Mixed-Use lands, so the possible number of additional units is in excess of DPP's estimate. This also does not include development on public school lands

City & County Committee on Zoning and Housing  
March 25, 2019

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which is also being proposed as a way to help stem the shortage of teachers who are leaving the DOE because of the lack of affordable housing. This development would take place over a number of years and would make a huge dent in our currently estimated shortage of 65,000 to 85,000 units by the year 2025.

And the beauty of this bill is that there is no government subsidy involved. This will all be done by the private sector. If, however, government financing is involved, the rental rates may be lower but additional governmental conditions and restrictions deemed unduly burdensome to private landowners may be imposed.

This bill is certainly a step in the right direction to provide more badly needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Very truly yours,

FERGUS & COMPANY  
A Limited Liability Company

  
Michael J. Fergus  
Manager

MJF/vs



**Marshall W. Hung** - Former Developer  
215 N. King Street, Suite 1000, Honolulu, HI 96817  
W: 808.526.2027 ext. 6 F: 808.526-2066

March 25, 2019

To: Kymberly Pine - Chairperson  
Zoning and Housing Committee, City Council of Honolulu

Re: Bill 7 as Amended by The M & M Version Transmitted from  
the Planning Commission on March 28, 2019

HUD reported that Honolulu had approximately 341,239 residential homes in 2015. These 341,239 homes were made up of 198,306 owner-occupant homes (58%) and 142,933 rental homes (42%).

Here is a Summary of Honolulu's Rental Supply.

### **SUMMARY OF HONOLULU'S RENTAL SUPPLY**

<u>Rental Types</u>	<u>Minimum Building Cost (est.)</u>	<u>Monthly Rental Rates</u>	<u>Quantity by Rental Type (est.)</u>
Government Subsidized	N/A	\$200 to \$1,000	<u>12%</u>
Single Family Accessory Units	\$175/SF	\$1,000 to \$1,600	<u>22%</u>
Old Apartment Buildings	N/A	\$1,000 to \$1,600	<u>21%</u>
Single Family (2 Stories)	\$200/SF Plus	\$3,000 Plus	<u>5%</u>
<b>New Apartment Building (Under 60')</b>	<b>\$225/SF</b>	<b>\$1,000 to \$2,000</b>	<b><u>0%</u></b>
Old Condo Building	N/A	\$1,500 to \$2,500	<u>27%</u>
Workforce Condos/Framed	\$275/SF	\$1,800 to \$3,000	<u>8%</u>
Workforce Condos	\$300/SF	\$1,800 to \$3,000	<u>3%</u>
Luxury Condos	\$350/SF Plus	\$3,000 Plus	<u>2%</u>
Total Rental (2015 HUD)			<u>142,933</u>
Total Housing Supply (2015 HUD)			<u>341,239</u>

**Notes:**

1. Location, age, and size of unit are the primary forces for the market.
2. Accessory Units include attached and detached units of single-family structures.
3. 23% of single-family structures are rental according to HUD

In addition, it is estimated that Honolulu has approximately 10,000 vacation rental units which are spread across all unit types. These vacation rentals must be subtracted from the housing stock to give a true count of the available housing stock on Oahu. The Hawaii Tourism Authority is now doing a study to determine where these vacation rentals are located and what kind of housing they consist of.

From the chart above, it can be concluded that the first six types of housing products are providing the affordable rentals for Honolulu's low wage earner population. Within these rental categories are the doubling up of households into one housing unit.

Government researchers have determined a need for 22,500 affordable rental units for Honolulu's residents by 2025, probably because the population increase will mostly be with the low wage earners.

### **Building for \$1,000 to \$2,000 per Month Rentals**

The fifth category of the rental supply summary is labeled "New Apartment Building (Under 60)". This is the type of development that is needed for the low wage earners of Honolulu - the population that represents 50% of Honolulu's workforce. These households can only afford to pay \$1,000 to \$2,000 per month in rents because of the high cost of living and low wages from an economy centered around tourism and the military. The key to being able to achieve these landowner developments is achieving a construction cost of \$225 per square foot.

Since the private sector stopped building rental apartments from the 1980s because of the feasibility gap between costs and rental income, it has primarily been government financing that has subsidized the lower rents for the low wage earners. Unfortunately, government housing has turned into an industry with all the bureaucratic inefficiencies and lacks the discipline to control costs. See the attached Exhibit "A" for a cost comparison with a recent government 111unit rental at a cost of \$1590 per square foot built on a 10,000 sf land parcel. During the last 40 years, Honolulu's construction industry has been able to keep its wages at middle income levels, even though the low wage earner population grew from 30% to 50% of the population for working households. This documented change from the middle-class society has occurred for most of America and has been very apparent in Hawaii.

With further in-depth research, it has been found that as this wealth divide has occurred around the nation, many cities in the U.S. have been making adjustments by getting the private sector to produce smaller buildings at lower construction costs with new codes and rules. See the attached Exhibit "B" from Bloomberg.

### **Land Availability**

Attached as Exhibit "C" is DPP's chart counting 6,175 apartment-zoned parcels of 20,000 sf and less on Oahu. According to DPP's analysis, half of these parcels are ready for redevelopment because of the age and declining value of their improvements. Business and Business mixed use zoned parcels are not included and need to be added because of the retail ground floor/apartment upper floor product bringing mixed use and closer proximity via neighborhood walking. This represents the natural evolution of a city moving towards 21<sup>st</sup> century living and contrasts with the urban planning of the past based upon the proliferation of automobiles.

DPP estimates there is a potential for an additional 14,000 to 21,000 apartment units to be built on these apartment zoned lands alone (not including the apartment mixed-use, business, business mixed use and school zoned lands).

This equates to 500 to 700 land owners developing their small lots spread out within existing neighborhoods which results in the dispersal of the affordable rental housing that is built and their low wage earners. This natural market dispersal provides neighborhood choices for renters while avoiding the big project "ghetto" scenario. Transportation alternatives and infrastructure support for these land parcels within existing neighborhoods should also provide optimal starts for development. Landowners can customize their buildings for the wide variety of household types.

### **Building Standards**

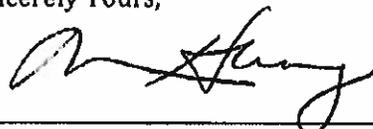
With fire rated walls, new electrical systems, new plumbing systems and fire sprinklers, these buildings will have a higher standard of safety than 75% of Honolulu's existing housing inventory. Part of the reason for this is that the national fire code requires sprinklers for single family structures, but the State of Hawaii has exempted single family homes from this requirement. As fire and hurricane statistics reflect, it is the older structures that are the least safe, primarily because of the aging of the buildings' materials and infrastructure systems. With the existing code standards, the new high-rise buildings in the urban area and new horizontals in West Oahu represent part of the 25% safest residential buildings. However, Honolulu needs to change its standards from one size fits all building sizes. For new building permits, the standards need to consider feasibility of small, medium, and large buildings. It has been a mistake to impose the same standards for small and medium size buildings as it does for large high-rise buildings. This "one size fits all" approach has stifled the development of the small and medium size buildings and helped to fuel our housing shortage.

### **Feasibility for 10 to 15 Landowners Taking the Opportunity**

As stated at the February 20, 2019 Planning Commission meeting when asked, the DPP February version at best will produce 100 units per year, while the earlier M/M (Marshall Hung/Mel Kaneshige) version will have the probability of 500 units or more per year. Advertising of this 5-year opportunity to the landowners by City Government will be very important. The sooner this type of rental housing is provided, the sooner we solve our employee shortage and quality issues and the sooner our Hawaii economy can meet the sustainability question for its residents.

It has been two years researching and from May to September 2018 working with the Executive Branch of the city government to "discover" this "Einstein solution". We hope City Council has the political will to endorse the M/M bill.

Sincerely Yours,



Marshall Hung - Former Developer

**Development Cost Comparison**  
 (See the Following Honolulu Star Advertiser Article)

	<b><u>HCDA/ Kakaako</u></b>	<b><u>Affordable Rental / City</u></b>	
	<b><u>630 Cooke St</u></b>	<b><u>Small Building Code</u></b>	
<b>Land</b>	10,000/SF	10,000/SF	20,000/SF
<b>Land Cost</b>	-0-	\$ 200/SF	\$ 200/SF
<b>Land/Ownership</b>	Government	Private	Private
<b>Project Cost</b>	\$ 53 Million	\$ 11.2 Million	\$ 22.5 Million
<b>Apartments</b>	111	50	90
<b>Size of Units (Avg)</b>	300/SF	543/SF	602/SF
<b>Cost Per Unit</b>	\$ 477,000	\$ 224,000	\$ 250,000
<b>Cost Per SF</b>	\$ 1,590/SF	\$ 412/SF	\$ 415/SF
<b>Financing</b>	Government	Private	Private

Note : Government financed projects have expensive level finishes and amenities. The private financed projects will generally have basic level finishes, unless a landowner chooses to upgrade. Each property and its location have their unique advantages.

Honolulu Star Advertiser - August 3, 2018

## **Blessing held for 'micro-housing' tower in Kakaako**

A New York development firm and a nonprofit partner held a unique ground blessing Thursday for a unique affordable-housing project in Kakaako.

The project, Nohona Hale, is unique because it's the first tower of purely "micro- unit" rental apartments to be built in Hawaii.

And the blessing was unique because the site for 111 homes in a 16-story tower was too crowded to fit a tent for all the participants celebrating the recent start of the \$53 million project. So the bulk of the ceremony was held about a block away at Mother Waldron Park.

"This is not your typical ground blessing," said Kevin Carney, vice president of EAH Housing, the nonprofit partner helping New York-based Bronx Pro Group LLC develop Nohona Hale.

The project site at 630 Cooke St., near the corner of Queen Street, is roughly 10,000 square feet, which is a typical lot size for one single-family house.

A state agency that regulates development in Kakaako, the Hawaii Community Development Authority, owns the lot and in 2014 solicited proposals from private developers to produce affordable homes there. HCDA selected Bronx Pro and EAH in June 2015 over six competitors.

Samantha Magistro, a Bronx Pro principal, thanked state leaders for having faith in a project where apartments will all be studios with 300 square feet of living space reserved for residents with low incomes.

"I commend you for taking a chance on micro- units," she said. "You are a trailblazer among cities in this country with this important housing tool."

Gov. David Ige said HCDA took a remnant parcel — a site that was once home to a Seafarers International Union hiring hall — and turned it into a "gold mine" for affordable housing.

"Congratulations to all involved," he said.

John Whalen, HCDA board chairman, said Nohona Hale is a good example of how affordable rental housing can be built in a state where developers say it is incredibly hard to do because of high land and construction costs.

"The work is not done, but this is a good step forward to seeing more rental housing here," he said.

While 300 square feet might not seem like much to live in, Whalen has seen Bronx Pro micro-housing in Seattle that is similar to the Kakaako project and said the way studios

**[Exhibit "A" - Three Pages]**

are designed give them a sense of openness. Each unit in Kakaako will feature floor-to-ceiling windows and a 70-square-foot lanai.

Originally, Nohona Hale was going to be a 14-story building with 107 studios with 300 square feet of living space plus 40-square-foot lanai. But Magistro said two more floors were added and allowed four more units and bigger lanai.

Construction site work began in June, and the tower is slated to be finished in August 2019.

Bronx Pro initially projected that construction could start in 2016 and be finished in 2017. But it took longer than anticipated to arrange a development agreement with HCDA, which is leasing the land to the developer for \$1 a year for 65 years, and to obtain financing.

Hawaii Housing Finance and Development Corp., a state agency that helps finance affordable housing, is providing Nohona Hale with \$27 million in Hula Mae bonds, \$22 million from a state rental housing fund, \$1.8 million in state tax credits over five years and \$1.8 million in federal tax credits over 10 years.

Rents must remain affordable for 65 years and are governed by HHFDC rules. Maximum monthly rent for 99 of the units is \$1,225 for households earning no more than 60 percent of Honolulu's annual median income. Another 11 units have a maximum monthly rent of \$612 reserved for tenants earning no more than 30 percent of the median income. One unit would be for a manager.

Income limits equate to \$49,020 for a single person or \$55,980 for a couple at the 60 percent income level, and half that at the 30 percent level.

EAH Housing, which will manage Nohona Hale, won't begin to solicit applications until about six months before the project is ready to open. However, prospective tenants can get on an interest list by calling 439-6286 or emailing [nh-management@eahhousing.org](mailto:nh-management@eahhousing.org). A lottery will be held to pick qualified tenants.

[Bloomberg Feb 13,2019]

## Why America's New Apartment Buildings All Look the Same

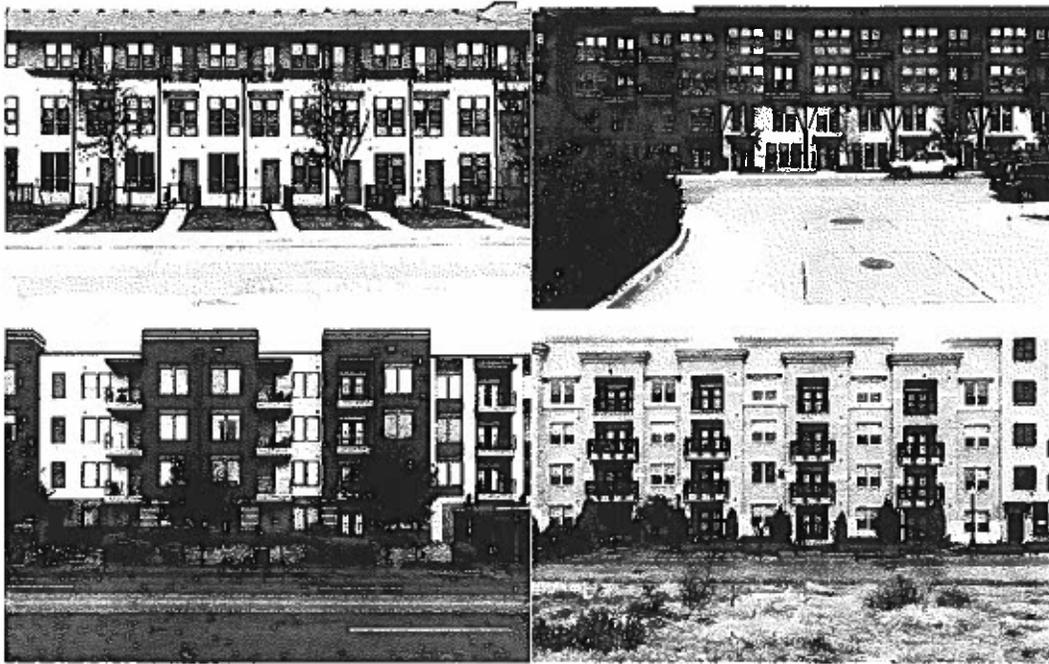
Cheap stick framing has led to a proliferation of blocky, forgettable mid-rises—and more than a few construction fires.

These buildings are in almost every U.S. city. They range from three to seven stories tall and can stretch for blocks. They're usually full of rental apartments, but they can also house college dorms, condominiums, hotels, or assisted-living facilities. Close to city centers, they tend toward a blocky, often colorful modernism; out in the suburbs, their architecture is more likely to feature peaked roofs and historical motifs. Their outer walls are covered with fiber cement, metal, stucco, or bricks.

They really are everywhere, I discovered on a cross-country drive last fall, and they're going up fast. In 2017, 187,000 new housing units were completed in buildings of 50 units or more in the U.S., the most since the Census Bureau started keeping track in 1972. By my informal massaging of the data, well over half of those were in blocky mid-rises.

These structures' proliferation is one of the most dramatic changes to the country's built environment in decades. Yet when I started asking around about them, they didn't seem to have a name. I encountered someone calling them "stumpies" in a website comment, but that sadly hasn't caught on. It was only after a developer described the style to me as five-over-one—five stories of apartments over a ground-floor "podium" of parking and/or retail—that I was able to find some online discussion of the phenomenon.

[Exhibit "B" - Nine Pages]



Texas mid-rises.

PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

The number of floors and the presence of a podium varies; the key unifying element, it turns out, is under the skin. They're almost always made of softwood two-by-fours, or "stick," in construction parlance, that have been nailed together in frames like those in suburban tract houses.

The method traces to 1830s Chicago, a boomtown with vast forests nearby. Nailing together thin, pre-cut wooden boards into a "balloon frame" allowed for the rapid construction of "a simple cage which the builder can surface within and without with any desired material," the architect Walker Field wrote in 1943. "It exemplifies those twin conditions that underlie all that is American in our building arts: the chronic shortage of skilled labor, and the almost universal use of wood." The balloon frame and its variants still dominate single-family homebuilding in the U.S. and Canada. It's also standard in Australia and New Zealand, and pretty big in Japan, but not in the rest of the world.

In the U.S., stick framing appears to have become the default construction method for apartment complexes as well. The big reason is that it costs much less—I heard

[Exhibit "B" - Nine Pages]

estimates from 20 percent to 40 percent less—than building with concrete, steel, or masonry. Those industries have sponsored several studies disputing the gap, but most builders clearly think it exists.

They're also comfortable with wood. "You can make mistakes and you can cut another piece," says Michael Feigin, chief construction officer at AvalonBay Communities Inc., the country's fourth-biggest apartment owner. "With concrete and steel, it's just a lot more work to fix problems." If supplies run out, adds Kenneth Bland, a vice president at the trade group American Wood Council, builders "know they can run to the nearest big box and get what they need."

They can also run to the nearest big-box store to find workers. Stick construction allows builders to use cheaper casual labor rather than often-unionized skilled tradespeople. And it makes life easier for electricians, plumbers, and the like because it leaves open spaces through which wires, pipes, and ducts can run. Still, there's a reason why stick wasn't the default for big apartment buildings until recently, and why these buildings are limited in height: Sticks burn.

It was the Great Chicago Fire of 1871, which destroyed thousands of balloon-frame buildings, that brought this lesson home. Before long, the city instituted a ban on wood construction that's still partly in place today. New York City had declared its downtown off-limits to wood construction in the early 1800s, eventually extending the proscription to all of Manhattan, plus the Bronx, Brooklyn, and parts of Queens and Staten Island. By 1930, a list of fire-resistance best practices compiled by the U.S. Department of Commerce was recommending stick-frame bans in dense urban neighborhoods and a two-story limit for everywhere else. Stick construction had effectively been banished to the suburbs.

By the second half of the 20th century, the suburbs were where America was moving, and as they evolved from bedroom communities into a new kind of city, the stick building evolved with them—into forms such as the "dingbats" of Los Angeles (one or two stories atop a carport) and the parking-rich garden-apartment complexes outside Atlanta, Dallas, and other metropolises. Building codes evolved, too, as insurers and fire-safety-equipment manufacturers pushed for scientific, "performance-based" codes that emphasized lab-determined fire-resistance ratings over specific materials and incorporated new technologies such as the automated fire sprinkler.

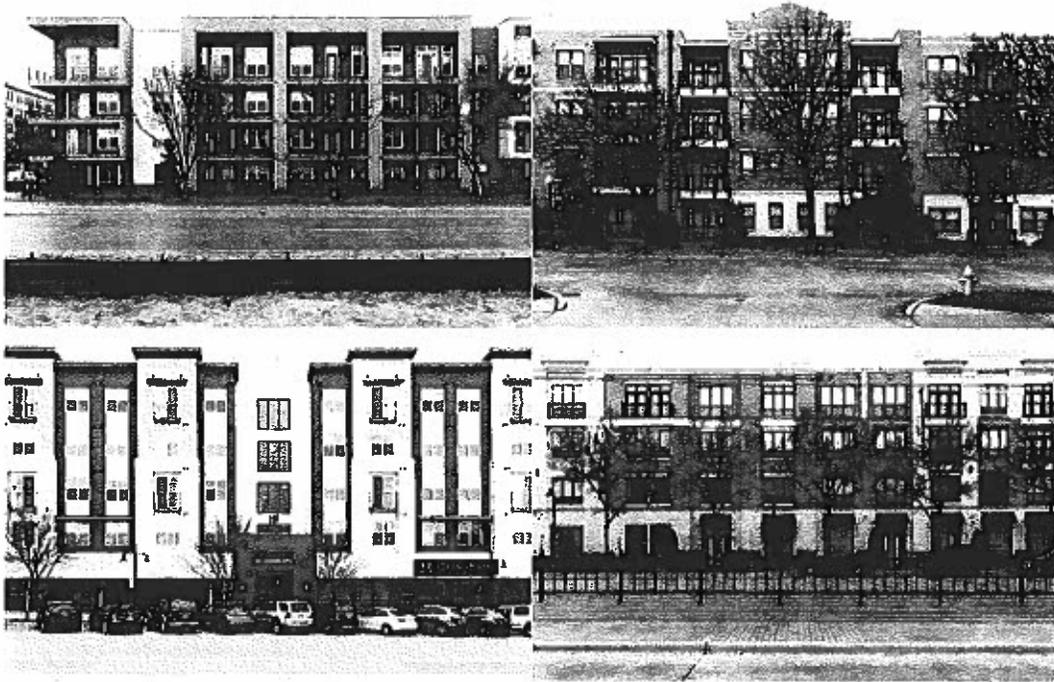
This gospel spread fitfully in a country where codes were a municipal affair, but it did spread, abetted by three regional organizations that produced model codes for cities to adopt or adapt to their own purposes. The most successful body was the aspirationally named International Conference of Building Officials, based in Southern California, whose Uniform Building Code was by 1970 at least partly followed by 9 in 10 Western cities. The UBC, updated triennially, ushered in the age of the mid-rise wood-frame apartment building.

Some of the details are lost in the mists of time, or at least in dusty archives, but the tale seems to have gone like this: The first UBC, issued in 1927, allowed for wood-frame apartment buildings three stories high. The risk of earthquakes inclined officials to be tolerant of such frames, which handle shaking better than brick walls do; the presence of a large timber industry in the Northwest was also a factor. In the 1950s the story limit increased to four if an automatic sprinkler system was installed. Square-footage restrictions were eased if building segments were separated by firewalls—initially masonry, then simpler-to-install gypsum board. By the 1970s it was possible to build four wood-framed stories atop a concrete podium. Then, in the early 1990s, came a breakthrough.

Los Angeles architect Tim Smith was sitting on a Hawaiian beach, reading through the latest building code, as one does, when he noticed that it classified wood treated with fire retardant as noncombustible. That made wood eligible, he realized, for a building category—originally known as “ordinary masonry construction” but long since amended to require only that outer walls be made entirely of noncombustible material—that allowed for five stories with sprinklers.

His company, Togawa Smith Martin Inc., was working at the time with the City of Los Angeles on a 100-unit affordable-housing high-rise in Little Tokyo that they “could never get to pencil out.” By putting five wood stories over a one-story concrete podium and covering more of the one-acre lot than a high-rise could fill, Smith figured out how to get the 100 apartments at 60 percent to 70 percent of the cost. The building, Casa Heiwa, opened its doors in 1996, and the five-over-one had been invented. (“Let’s put it this way,” Smith says. “No one has challenged me to say that they did it first.”) The public didn’t take note, but West Coast architects and developers did. They could now get near-high-rise densities at a wood-frame price. Soon, the rest of America could, too.

Despite the regional groups' efforts, many architects, developers, economists, and federal housing officials still found local codes parochial and backward-looking, charging that they thwarted innovation and inflated costs. One response came from legislatures, which began increasing state authority over codes. Another came from the regional groups, which in 1994 started work on a single national code. Faced with a major challenge resolving differences over building heights and areas, the responsible committee settled on a somewhat radical precept: If a building could be built under any of the three old codes, it could be built under the new one. Under the 2000 International Building Code (IBC), the stick-built mid-rise podium apartment building was free to migrate eastward.



More Texas mid-rises.

PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

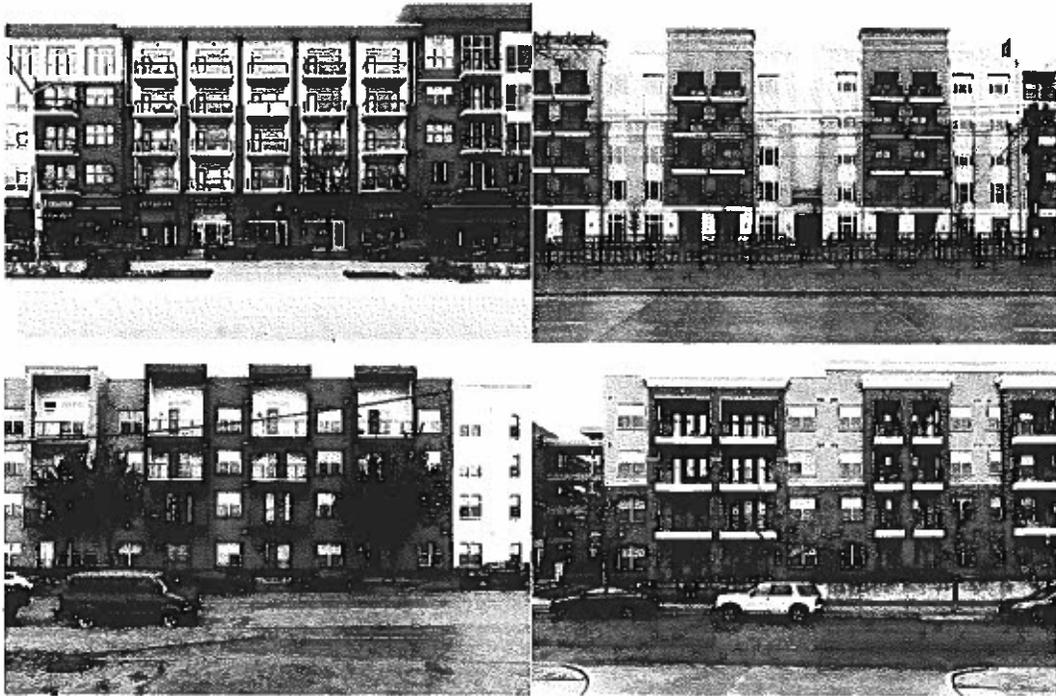
These buildings wouldn't be going up if no one wanted to move in, of course. Growing demand, brought on by demographic shifts, job-growth patterns, and a renewed taste among affluent Americans for city (or citylike) living, has shaped the mid-rise boom. So have the whims of capital. Most multifamily developers build to sell—to a real estate investment trust, an insurance company, a pension fund, or some other institutional

investor. These owners aren't interested in small projects, and their bottom-line focus determines not only materials but also appearance and layout.

The need for scale dictates hulking "superblocks," and the desire to break up these blocks a little explains the colorful panels and other exterior choices. Efficiency dictates the buildings be wide enough for "double-loaded" corridors, with apartments on both sides, but not so wide that the apartments are narrow and dark. This in turn favors a structure shaped like a right-angled U, C, E, or S. Two- or three-bedroom apartments work best at the corners, so one-bedrooms and studios predominate.

The boom has also been shaped by zoning that sometimes leaves downtowns and suburban commercial districts as the only practical spots for new housing. Ordinances requiring a minimum number of parking spaces per apartment unit factor in, too: Where minimums are relatively high, as in Texas, the best solution can be wrapping the building around a parking deck, a style known as the Texas doughnut. Where they're lower, the ground-floor podium will do. City planners also often require developers to devote street-front podium space to shops and restaurants.

Yes, the result can be a little repetitive, but repetition has been characteristic of every big new urban or suburban housing trend in the U.S. over the past century or two. There's lots to like about stumpy buildings that provide new housing in places where it's sorely needed and enliven neighborhoods in the process. A four-story Texas doughnut can get 50 or 60 apartments onto an acre of land, while the most aggressively engineered West Coast stick-and-concrete hybrid (two-story podiums are allowed now, along with other variations) can get almost 200. That's not far from the range that the renowned urbanist Jane Jacobs deemed optimal for vital street life.



More.

PHOTOGRAPHER: LAURA BUCKMAN FOR BLOOMBERG BUSINESSWEEK

There's also lots to like about building with wood, which, as long as the trees are replanted and allowed to grow to maturity, is now generally accounted to be a net consumer of carbon dioxide. Wood's green credentials have helped spur a recent worldwide push for more construction with "mass timber"—softwood lumber glued together and compressed into thick beams, columns, and panels. The tallest such structure completed so far is an 18-story dormitory at the University of British Columbia, in Vancouver. Oregon has already changed its code to allow mass timber buildings of that scale, and the 2021 IBC is set to do the same.

The advance of the mid-rise stick building has come with less fanfare, and left local officials and even some in the building industry surprised and unsettled. "It's a plague, and it happened when no one was watching," says Steven Zirinsky, building code committee co-chairman for the New York City chapter of the American Institute of Architects. What caught his attention was a blaze that broke out in January 2015 at the Avalon apartments in Edgewater, N.J., across the Hudson River from his home. "When I could read a book in my apartment by the flame of that fire," he says, "I knew there was

[Exhibit "B" - Nine Pages]

a problem." Ignited by a maintenance worker's torch, the fire spread through concealed spaces in the floors and attic of the four-story complex, abetted by a partial sprinkler system that didn't cover those areas. No one died, but the building was destroyed.

There haven't been many such fires in completed stick mid-rises, but the buildings have proved highly flammable before the sprinklers and walls go in. Dozens of major fires have broken out at mid-rise construction sites over the past five years. Of the 13 U.S. blazes that resulted in damages of \$20 million or more in 2017, according to the National Fire Protection Association, six were at wood-frame apartment buildings under construction.

These fires often bring a local outcry to restrict stick apartments. The Atlanta suburbs of Sandy Springs and Dunwoody enacted bans on wood-frame buildings above three stories, but they were later overturned by the Georgia legislature. There's also talk of new regulations in Los Angeles, Philadelphia, Massachusetts, and Maryland. But the place where legislative action seems most likely is New Jersey.

Building permits have been issued for 105,000 new apartments in the state since 2012, and it sure looks like most are in wood-frame mid-rises. Glenn Corbett, a former firefighter who teaches fire science at John Jay College of Criminal Justice in New York, took me on a tour of some of New Jersey's "toothpick towers," as he calls them, pointing out places that fire engines can't reach and things that could go wrong as the buildings age. "You're reintroducing these conflagration hazards to urban environments," he says. "We're intentionally putting problems in every community in the country, problems that generations of firefighters that haven't even been born yet are going to have to deal with."

The toughest of the bills before New Jersey's legislature would restrict urban stick buildings to three stories and 7,000 square feet per floor. Proposals with a better chance of passing call for, among other things, masonry firewalls between building segments and full sprinkler systems for apartment buildings three stories and higher. The Avalon at Edgewater has been rebuilt with these measures; Feigin, construction chief for AvalonBay, the building's owner, says they're now standard for all the company's new mid-rise developments. The 2018 IBC adds provisions aimed at stopping fires from spreading through apartment-building attics, and a proposal approved late last year,

over the objections of builders and apartment owners, will change the 2021 code to effectively require full sprinkler systems for all four-over-one podium buildings.

Can we rely on developers' economic interests and the model-code process to work things out? Alexi Assmus, who's been active in the New Jersey debates and the IBC process, is dubious. A businesswoman and civic activist who got involved when AvalonBay built a wood-framed complex in her hometown of Princeton, she tried to introduce changes to the national model code and didn't get far. In theory, anyone can participate on the International Code Council committees that submit recommendations to the government officials who vote on the IBC, but in practice it's mostly trade group representatives who do. "The special interests all have the money to go there and stay at the hotels," Assmus says. "Don't think that this third-party ICC is going to give us codes that are in the public interest, necessarily."

Then again, the reason the ICC exists is because setting building codes locally came to be seen as not really in the public interest, either. Deaths in residential fires in the U.S. are down by almost half since the 1980s, so something appears to be working. And there are echoes in at least some of the agitation of standard-variety Nimbyism. Some parts of the country need lots of new housing, and builders of bulky mid-rise wood-frame apartment buildings have found an economic formula that provides it. Whether it's the right formula for American cities is something we'll have to wait to find out. — Fox is a business columnist for Bloomberg Opinion.

## Department of Planning and Permitting's Estimate of Potential Additional Units Possible Under Walkup Rental Apartment Bill

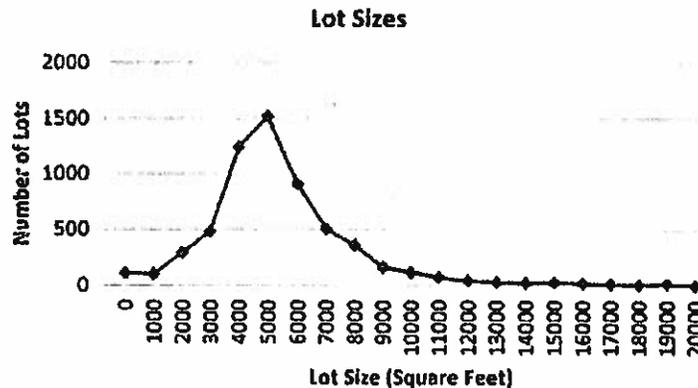
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DPP did a quick study of the possible impact of the Walkup Rental Apartment bill and found the following:

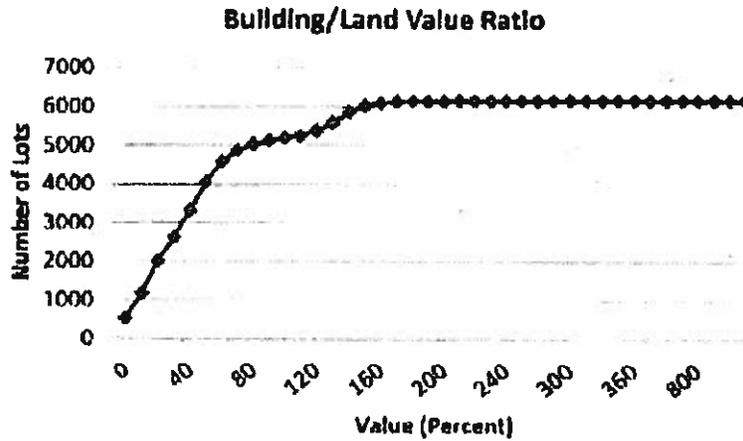
1. 6,175 Apartment-Zoned Parcels of 20,000 sf and Less. In the Apartment-zoned lands on Oahu, there are 6,175 parcels of 20,000 sf or less. More than ½ of the 6,175 parcels are 5,000 sf or less in size.

### **APARTMENT LANDS UNDER 20,000 SQUARE FEET**

Total Number of Lots: 6,175



2. Parcels Susceptible for Redevelopment. DPP then looked at only those lots that were a minimum of 5,000 sf in size to a maximum of 20,000 sf. Using this parameter, DPP found that there are 3,204 Apartment-zoned parcels.
  - a. DPP then estimated which of these 3,204 parcels are susceptible for redevelopment. DPP's methodology was to compare the assessed valuation of improvements on a parcel with the assessed valuation of the land. DPP used two benchmarks – improvements with a valuation of (a) 30% or less of the land and (b) 10% or less of the land.
  - b. DPP found that there are 1,382 parcels with improvements that are valued at 30% or less than the land and 536 parcels with improvements that are valued at 10% of less than the land.



c. At Least 14,000 to 21,000 Additional Units Possible. DPP then calculated that the proposed bill could result in 14,073 to 21,084 additional units using the 30% valuation of improvements v. land. DPP's assumptions included (a) lots between 5,000 sf and 20,000 sf, (b) height limits of three and floor stories (resulting in the difference between the 14,703 additional units and the 21,084 additional units), (c) 4.0 FAR, (d) 20% minimum common area, and (e) 800 sf average unit size. DPP did not include Apartment Mixed Use zoned lands, Business zoned lands, or Business Mixed Use zoned lands nor lands zoned for schools with excess lands that could be used for this purpose. In other words, the potential for additional units is much greater than the 14,000 to 21,000 units calculated for just the Apartment zoned lands.

**APARTMENT LANDS 5,000 - 20,000 SQUARE FEET**

Total Number of Lots: 3,204

	Building/Land Value Less Than Or Equal To		Approximate Density (units/acre)
	30%	10%	
Total Number of Lots	1,382	536	
<b>FOUR FLOORS MAXIMUM:</b>			
Possible Housing Units*	28,044	11,468	
Existing Housing Units	6,960	1,586	100-140
Addition to Housing Stock	21,084	9,882	
<b>THREE FLOORS MAXIMUM:</b>			
Possible Housing Units*	21,033	8,601	70-105
Existing Housing Units	6,960	1,586	
Addition to Housing Stock	14,073	7,015	

March 26, 2019

Via email to [info@honoluludpp.org](mailto:info@honoluludpp.org)

Councilmember Kymberly Marcos Pine  
Chair, Zoning and Housing Committee  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Chair Pine and Members of the Zoning and Housing Committee,

My name is Mel Kaneshige. I am a retired Honolulu resident who is concerned about Hawaii's housing crisis.

We have a housing crisis in Hawaii. The State estimates that we will have a shortage of 65,000+ units by 2025 and that a third of that (22,500 units) will be a shortage of affordable rental units. What I am saying is not new to any of us.

This affects all of us. We have kids who move to the mainland and never come back because they can't afford to live here. The lack of affordable housing is a big factor in homelessness as well.

The situation is not getting better. We can't keep doing the "same old, same old" and hope that it works. That is the definition of insanity.

We need new ideas and bold action now, not tomorrow - NOW. We don't need any more studies to tell us we are in trouble. Any fool can see that. We need to change the way we have been doing things to make it better. NOW.

This bill is taking a different approach from past attempts to alleviate the housing crisis. It's not relying on public action. It's looking to the private sector to produce affordable rental units on land that is underutilized and is now available for redevelopment. The bill is relaxing certain requirements to make it easier to

Councilmember Kymberly Marcos Pine

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develop affordable rentals and provides the same incentives that the City provided to developers of for-sale condos in Bill 59. The idea is to relax the requirements, provide incentives, get out of the way, and see what happens.

The key to the bill is to keep the construction costs down to \$225 per square foot. If this happens, then our analysis shows that rents can be at \$1,350 for a one-bedroom unit and \$1,600 for a two-bedroom unit. These rents are lower than what is being quoted at newer affordable housing projects like 801 South Street and Keauhou Lane. If any more burdens or requirements are imposed, then costs go up, and feasibility goes down, as does the likelihood of anything getting built. This is the driving factor behind our recommended changes to the DPP draft. We are trying to keep the costs down so that the probability of these units being built goes up. It's not rocket science. The more requirements you impose, the harder you make it for an owner to build new affordable units.

The bill doesn't impose burdensome paperwork and impose unnecessary requirements. It aims to let the market decide where these units are going to be built and how much to charge for them. The one requirement is that the units be rented to tenants with 100% AMI or less. Given the financial capability of these tenants, the neighborhoods where these units will be located, the limited sizes and amenities of the units, market forces will keep the rents affordable. There is no need to impose rent caps and the onerous paperwork that goes along with it. That would only impose more "humbug" and prevent owners from participating in this program.

The bill is a pilot program for 5 years so the City can assess whether this is a worthwhile approach or not within a short period of time. If it's working, keep it going. If it needs tweaking, then tweak it. If it doesn't work, then scrap it. Remember that 5 years is not a long time given the time it takes to draw up plans, get financing, get a building permit, demolish the existing improvements and build. We're in a crisis. This approach is worth a shot.

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The first step on the housing ladder is rentals. Young people starting out rent first before buying a place. We don't have enough affordable rentals because rentals are the hardest product to build and make money at. Fee simple condo sales are easier to make money at.

So, where are the rentals that many of us started out in? I am 70 years old and the first place I lived in in my 20s was a 1BR rental apartment in Makiki that I paid \$140 per month for. It was in a small 2 story walkup surrounded by many other 2 and 3 story walkups. It's still there.

Why aren't these being built anymore? Simple - the zoning and building codes changed. You can't build these anymore. The density was reduced, the setbacks were increased, and many other restrictions were put on them. Many of the restrictions were part of a "one size fits all" code that treated small buildings the same as tall high-rises, thereby discouraging the smaller ones from being built.

So, the idea for the bill before you today is to make it easier to build these affordable rental units by relaxing some of the zoning and building codes that discouraged their development. This bill would tailor the zoning and building code requirements to smaller buildings and still meet all fire, life safety standards. This would get away from the "one size fits all" mentality that led us to the crisis that we're in now. This bill is aimed ONLY at affordable rentals. It does not apply to for-sale apartments. All units built under this bill must be rented to families in the 100% Area Median Income or less category. Keep that in mind as you consider this bill.

What's the upside of this bill? It's BIG. DPP estimates that in the Apartment district alone, an additional 14,000 to 21,000 units could be built. These are ADDITIONAL units, and this is in the Apartment district alone. DPP did not do an estimate for the Apartment Mixed Use, Business, Business Mixed Use or school districts which will only add thousands more potential new units.

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We are including Business zoned lands because of the changing nature of retail. Just last week, Payless Shoes announced it was closing 2,100 stores nationwide, including 8 in Hawaii. This follows many other retail store closings like Sears, K-Mart and Toys-R-Us. In fact, in 2018, 145 million square feet of retail space closed nationwide. That's 22 times the size of the giant Pentagon. E commerce is the main culprit and it's getting bigger, not smaller, so retailers will continue to close. This bill presents an opportunity for owners of Business zoned land to use their properties for a productive purpose – affordable rentals. Isn't this better than just letting property sit idle and hoping for a retail tenant? We are in a crisis and should look to be innovative in finding and using all available property for affordable housing.

This is just like the recent announcement that the 1132 Bishop office building downtown will be converted from 100% office use to 100% affordable rental housing. That building is located in a Business Mixed Use district but what's the real difference between the Business and Business Mixed Use districts? Not much when you really look at it so why not let affordable rentals be built in Business districts?

Of special interest is including DOE lands. The State DOE is interested in using this bill to develop teacher housing on its excess school lands as a means of helping to recruit new teachers and retain existing teachers. The DOE has submitted testimony in support of our version of the bill which includes DOE lands. DOE states, and I quote,

“From year to year, the DOE is plagued with both teacher recruitment and, even more critical, teacher retention issues. The number one issue that always comes to the forefront is affordable housing. This bill would provide an avenue for the development of affordable housing that our teachers could utilize.” [Emphasis added]

Anecdotally, we have heard that a typical situation involves dilapidated properties being held by third generation owners whose grandparents built multi-family

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buildings in the 1950s and 1960s. These building were handed down to their children and then to their grandchildren. Today, there may be more than 10 grandchildren, and they are stuck because they can't rebuild what they have – the zoning and building codes have changed and don't allow it – and a redevelopment with a smaller building doesn't make sense financially. This bill offers a way out for these families and a way to help with our horrendous housing crisis.

This bill will also help with reducing the "monster home" problem we're facing in residential areas. Those "monster homes" are being built because there is such a high demand for housing. The problem is that they're being built in single family zoned lands. This bill is limited to multi-family zoned lands only – where multi-family buildings should be built.

While some regulations are being relaxed in response to our housing crisis, all critical requirements are being met. All fire, life safety requirements are being met. All federal requirements such as Americans with Disabilities Act (ADA) and Fair Housing Act requirements are being met. Indeed, this bill cannot change any federal requirements since the City has no power to do that.

We have proposed changes to the City's bill which was introduced as Bill 7 (2019) and provide as an attachment to this testimony a proposed CD1.

Thank you for this opportunity to testify. I am happy to answer any questions.

A handwritten signature in black ink, appearing to read 'Mel Kaneshige', with a stylized flourish at the end.

Mel Kaneshige



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**A BILL FOR AN ORDINANCE**

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RELATING TO AFFORDABLE RENTAL HOUSING.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to increase the production ~~[create a temporary program to accelerate the construction]~~ of affordable rental housing and to encourage the dispersal of affordable rental housing throughout the City and County of Honolulu ~~[on apartment and business mixed use zoned properties]~~ by amending ~~[relaxing]~~ zoning and building code standards, and offering financial incentives.

SECTION 2. Findings. For decades, the City and County of Honolulu has grappled with a critical shortage of affordable rental housing. This problem grows worse by the year and threatens to undermine our quality of life and permanently erode the City's social and economic foundations so as to jeopardize its order and security. The *Mayor's Affordable Housing Strategy* (September 2015) summarized these affordable housing needs and proposed strategic actions relating to policies, incentives, regulations, programs, financial tools, and investments.

The *Affordable Rental Housing Report and Ten-Year Plan* dated ~~[(July 2018)]~~ published by the Special Action Team on Affordable Rental Housing Report pursuant to Act 127 (Session Laws of Hawai'i 2016) stated that~~[-]~~ ". . .unless the planning, funding, and delivery of affordable rental housing becomes an overarching priority for the legislature, governor, mayors, housing agencies, developers, and public and private funding sources, 70% of Hawai'i's families will soon be excluded from affordable, safe, and sanitary housing – a key component of quality of life that is taken for granted by the top 25% of households in the state."

The *Affordable Rental Housing Report and Ten-Year Plan* went on to ~~[further]~~ state~~[s]~~, "The Special Action Team understands that the scarcity of safe, sanitary, and affordable rental housing constitutes a crisis for nearly two-thirds of the state's residents. This report urges state and county officials to act on issues that affect the affordability of housing.~~[---]~~ The Report further stated "Act 127 is unequivocal that the lack of supply leads to higher rents for households of all income levels, leaving all tenants with less disposable income, increasing the personal stress of tenants, reducing tenant quality of life, and exacerbating the overcrowded living conditions. Without sufficient affordable rental housing, the future social, community, and economic consequences for Hawai'i may be dire."



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Act 127 stated~~[s, in part,]~~ "Although many reasons contribute to the lack of affordable rental ~~[housing]~~ units for low- and moderate-income households, the primary reason is a poor rate of return for investments in affordable rental housing projects. As the *Affordable Rental Housing Study Update, 2014*, succinctly states, ~~[“]Simply put, affordable rental housing is unprofitable, so the market won’t address the need by itself. Government regulations that restrict affordable housing development and lengthen the time tenants qualify for affordable rental housing also contribute to the lack of affordable rental housing.”~~

This ordinance recognizes that the cost of land and construction in Honolulu is one of the highest in the country and there are many small parcels which [that] are zoned for multifamily dwellings which ~~[are in apartment and business mixed use [-] zones that]~~ have limited development potential due to the high cost of development of affordable rental housing~~[-. The current affordable housing crisis]~~ which could be addressed~~[-, in part,]~~ by a comprehensive and concentrated effort to encourage [encouraging] the development of affordable rental housing units. The objective of this ordinance is to encourage the annual development of at least 500 new affordable rental housing units ~~[per year]~~ on these small multifamily zoned parcels.

Therefore, it is proposed that there be a new chapter added to the Revised Ordinances of the City and County of Honolulu to specifically address development and construction standards for low-rise multifamily affordable rental housing and other provisions of the Revised Ordinances be amended to provide financial incentives for that purpose.

SECTION 3. The Revised Ordinances of Honolulu 1990 is amended by adding a new chapter to be appropriately designated by the Revisor of Ordinances as Chapter \_\_\_\_ to read as follows:

“Chapter \_\_\_\_ . Affordable Rental Housing

Article 1. General Provisions

Sections:

- 1.10 Title [Definitions].
- 1.20 Purpose and Intent. [Prohibition Against Condominium Property Regime]
- 1.30 Administration. [Violation—Penalty.]
- 1.40 Definitions.
- 1.50 Application and Conflicts.

Section -1.10. Title. [Definitions.]



**A BILL FOR AN ORDINANCE**

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The provisions of this chapter, inclusive of any amendments, shall be known as the Affordable Rental Housing ordinance of the City and County of Honolulu.

Sec. -1.20 Purpose and Intent.

The purpose and intent of the affordable rental housing ordinance is to encourage the development of affordable rental housing in low-rise multifamily dwelling unit buildings in the apartment, apartment mixed use, business, and business mixed use districts, as well as in all other zoning districts in which public elementary, intermediate and high schools are permitted, to increase the supply of affordable rental housing and reduce the proliferation of excessively large homes in the residential districts.

Sec. -1.30 Administration.

The director of the department of planning and permitting shall administer the provisions of this Chapter. The director may designate duties established under this Chapter.

Section -1.40 Definitions.

For the purposes of this chapter, words used in the present tense shall include the future; words used in the singular include the plural, and the plural the singular. The use of any gender shall be applicable to all genders. The word "shall" is mandatory; the word "may" is permissive; the word "land" includes inland bodies of water and marshes.

Where a proposed use is not specifically listed in this chapter or included in a definition in this article, the director will review the proposed use and, based upon the characteristics of the use, determine which listed and/or defined use is equivalent to that proposed.

Unless otherwise expressly stated, whenever used in this chapter, the following terms shall have the [following] meanings set forth below:

"Affordable rental housing" means a building or buildings containing multi-family dwelling units that meets the following criteria:

- (a) At least 80 percent of the total number of dwelling units are rented to households earning 100 percent and below of the area median income (AMI), as determined by the United States Department of Housing and Urban Development annually for the Honolulu Metropolitan Statistical Area, adjusted for household size;



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**A BILL FOR AN ORDINANCE**

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- (b) No more than 20 percent of the total dwelling units are occupied by the property owner or owners or persons who are related by blood, marriage, or adoption to the property owner or owners, or designated authorized representative(s). For purposes of this section, "designated authorized representative(s)" means the person or persons designated by the property owner or owners to the department of planning and permitting, who are responsible for managing the property;
  
- (c) Households in affordable rental housing units must have a lease with a term of no less than six months with a prohibition against subleasing; provided, however, that a lease may have a term of less than six months if the tenant is a Hawaii resident as certified by the landlord;
  
- (d) [~~The Declaration of Restrictive Covenants is recorded in the Bureau of Conveyances of the State of Hawai'i, if regular system property, and/or the Office of the Assistant Registrar of the Land Court of the State of Hawai'i, if registered property, and a copy thereof with recorded information is filed with the DPP prior to issuance of the building permit for the affordable rental housing;~~]
  
- [(e)] The owner of affordable rental housing shall file an annual certification [~~A certification is annually filed~~] with the director of budget and fiscal services using a form provided by the department of budget and fiscal services, affirming that at least 80 percent of the total number of dwelling units are affordable rental housing units and no more than 20 percent are occupied by the property owner(s) or persons who are related by blood, marriage, or adoption to the property owner(s), or designated authorized representative(s).

"Affordable Rental Housing Unit" shall mean any unit in an Affordable Rental Housing building or buildings that meets the criteria that qualifies the building as "affordable rental housing."

"Area median income" or "AMI" refers to the current AMI determined by the United States Department of Housing and Urban Development annually for the Honolulu Metropolitan Statistical [a]Area as adjusted for household size.

~~["Declaration of Restrictive Covenants" means the declaration of covenants, conditions and restrictions in a form approved by the director of budget and fiscal~~



**A BILL FOR AN ORDINANCE**

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~~services and signed by the fee owner or owners of the land (including its improvements) on which affordable rental housing is built, and that is recorded in the Bureau of Conveyances of the State of Hawai'i, if regular system property, or the Office of the Assistant Registrar of the Land Court of the State of Hawai'i, if the land is registered under Hawaii Revised Statutes (HRS) Chapter 501. The Declaration of Restrictive Covenants shall run with the land or as long as the affordable rental housing improvements are standing, and shall give notice to all subsequent owners, grantees, successors, assignees, mortgagees, lienors, and any other person who claims an interest in the real property, that:~~

- ~~(a) the land and the improvements on the land are subject to the affordable rental housing requirements of this Chapter;~~
- ~~(b) the land may qualify for real property tax exemption for affordable rental housing under Section 8-10.20, ROH, if rented to households earning at or below 80% AMI during the real property tax exemption period;~~
- ~~(c) mixed use projects are not permitted;~~
- ~~(d) the land or any portion thereof shall not be submitted to a condominium property regime pursuant to HRS Chapter 514B, as amended or replaced; and~~
- ~~(e) violations of the restrictive covenants are subject to the enforcement provisions of Chapters 8 and 21, ROH, and, applicable statutory penalties and rollback taxes.]~~

"Bathroom" means a room that is equipped for taking a bath or shower and that includes a sink and toilet. A 0.5 bathroom means a room that is equipped with a sink and toilet, but without a bath or shower.

Sec. -1.50 Application and Conflicts.

Unless otherwise specifically noted herein, all requirements, standards, and processes under Chapters 21, 21A, 22, 23, and 25, Revised Ordinances of Honolulu, shall apply, including definitions, standards, procedures, and permit requirements, appeals, and variances. Where there appears to be a conflict across applicable provisions, the provisions of this Chapter shall prevail.



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~~[Section 1.20. Prohibition Against Condominium Property Regime. The lot on which affordable rental housing is built shall not be submitted to a condominium property regime pursuant to HRS Chapter 514B, as amended or replaced.]~~

~~[Section 1.30. Violation Penalty.~~

- ~~(a) The owner or owners of the lot on which affordable rental housing is built shall record the Declaration of Restrictive Covenants to encumber the land (and its improvements) on which the affordable rental housing is built.~~
- ~~(b) The failure of an owner or of an owner's heir, successor or assign to abide by such Declaration of Restrictive Covenants or the terms of this ordinance shall be deemed a violation of Chapter 21, ROH, and shall be grounds for enforcement by the director pursuant to Section 21-150, et seq. The director shall have the right to require the owner or owners, or the heirs, successors or assigns of the owner or owners, to comply with the terms of this ordinance and the Declaration of Restrictive Covenants.~~
- ~~(c) From time to time, or upon receipt of a complaint, the department of budget and fiscal services may conduct an audit of affordable rental housing projects to determine compliance with the definition of affordable rental housing.~~
- ~~(d) Penalty. If the use is abandoned or does not comply with these regulations at any time during the life of the building, the penalty shall be ten (10) times the amount of the real property assessed for the years of noncompliance.]~~

**Article 2. Permitted Uses, Development and Other Standards**

- Section: -2.10. General Provisions.
- Section: -2.20. Permitted Uses.
- Section: -2.30. Development Standards.
- Section: -2.40. Maximum Number of Dwelling Units.
- Section: -2.50. Maximum Size of Dwellings.
- Section: -2.60. Parking.
- Section: -2.70. Bicycle Parking.
- Section: -2.80. Examples of Maximum Building Area and Yards. [Figure -2.80]
- Section: -2.90. Examples of Building Height. [Figure -2.90]
- Section: -2.100. Abandonment of Use.



**A BILL FOR AN ORDINANCE**

Section -2.10. General Provisions.

[(a)] The director of the department of planning and permitting shall administer this Article. The director may designate duties established under this Article.

~~[(b) Unless specifically noted herein, all provisions of Chapters 21, 21A, and 22, 23 and 25, Revised Ordinances of Honolulu, shall apply. Where there is a conflict between applicable provisions, the provisions of this article shall prevail.]~~

Section -2.20. Permitted Use.

“Affordable rental housing” shall be a permitted use in the following zoning districts: apartment, apartment mixed use, business, and business mixed use zoning districts, as well as in all other zoning districts in which public elementary, intermediate, and high schools are permitted ~~[except that it is not permitted in transit-oriented development special districts, as defined and adopted under Chapter 21-100, ROH].~~

Section -2.30. Development Standards.

Affordable rental housing is subject to the following development standards and off-street parking and loading requirements:

<b>Development Standard</b>	<b>Requirement</b>
Maximum lot area	20,000 square feet
Minimum front yard	<u>10 feet except in TOD zones where no front yard is required and at least two-thirds of the total length of the building façade along the street shall be devoted to residential or commercial (non-parking) use. Fire exit stairs and corridors leading to the fire exit stairs, as well as any loading spaces, may also encroach into the front yard.</u>
Minimum side and rear yards	<u>5 feet except that fire exit stairs and corridors leading to the fire exit stairs may encroach into the side and rear yards.</u>
Maximum building area	80% of the zoning lot
Maximum building height	60 feet
Maximum density	4.0 FAR
Height setbacks	None
Off-street parking	None
Bicycle parking	None



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Off-street loading	<del>None, except that any loading [A minimum of one-space, to accommodate garbage pickup] and garbage bin storage shall be accommodated on site.</del>
Yard encroachments	<del>Parking, including bicycle parking, is allowed in side and rear yards. [One loading space may encroach no more than 5-feet into the front yard. Required fire exit stairwells and fire corridors may encroach into the front yard by no more than 5 feet.]</del>

(See Figures -2.8[6]0 and -2.9[7]0 for examples.)

These development standards and off-street parking and loading requirements shall supersede any conflicting requirements established by the land use ordinance, including without limitation, those applicable to special districts. All other applicable development standards and off-street parking and loading standards established by the land use ordinance not in conflict with the foregoing will continue to apply.

Section -2.40 **Maximum Number of Dwelling Units.**

The maximum number of affordable rental housing units for each zoning lot is determined by dividing the square footage equivalent of the maximum allowable FAR for that zoning lot, excluding any public open space bonus FAR, by a factor of 800, and rounding down to the nearest whole number.

Section -2.50 **Maximum Sizes of Dwellings.**

The maximum size of an affordable rental housing unit is as follows:

<u>Number of Bedrooms and Bathrooms</u>	<u>Maximum Floor Area (square feet)</u>
<u>Studio with 1 bathroom</u>	<u>500</u>
<u>One bedroom with 1 bathroom</u>	<u>650</u>
<u>One bedroom with 1.5 bathrooms</u>	<u>700</u>
<u>One bedroom with 2 bathrooms</u>	<u>750</u>
<u>Two bedrooms with 1 bathroom</u>	<u>800</u>
<u>Two bedrooms with 1.5 bathrooms</u>	<u>900</u>
<u>Two bedrooms with 2 bathrooms</u>	<u>1,000</u>
<u>Three bedrooms with 1.5 bathroom</u>	<u>1,100</u>
<u>Three bedrooms with 2 bathrooms</u>	<u>1,200</u>
<u>Three bedrooms with 2.5 bathrooms</u>	<u>1,250</u>



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Four bedrooms with 2 bathrooms	1,300
Four bedrooms with 2.5 bathrooms	1,350

Section -2.60[2.40]. Parking.

Parking, including bicycle parking, may extend into side and rear yards, provided a solid wall at least 4 feet but no more than 6 feet in height is built along the property boundary where the parking extends into the side and rear yards.

Section -2.70[2.50]. Bicycle Parking.

Section 21-6.150, ROH, regarding bicycle parking, shall not apply, but if provided, bicycle parking may encroach into required yards.

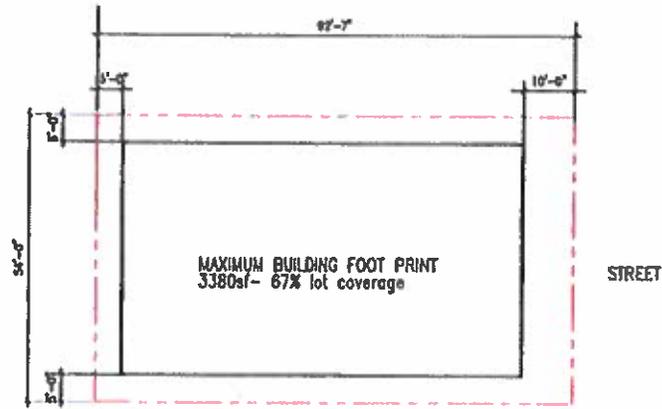
Section -2.80[2.60]. Examples of Maximum Building Area and Yards.

The following illustrate possible configurations of maximum building area and required yards. They do not necessarily reflect acceptable parking configurations or compliance with all other development standards.

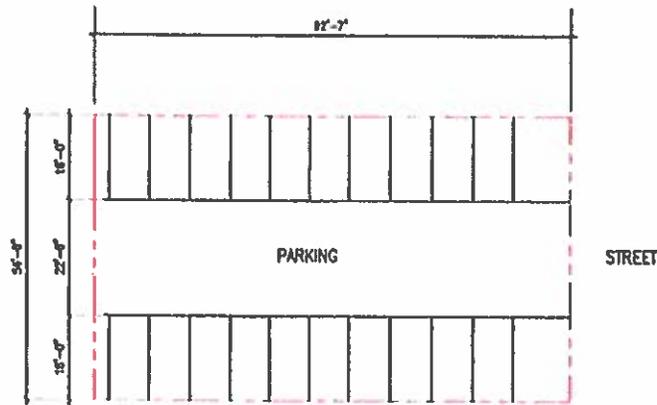
Figure -2.80 [2.60]  
5,000 SQUARE FOOT LOT



**A BILL FOR AN ORDINANCE**



PLOT PLAN

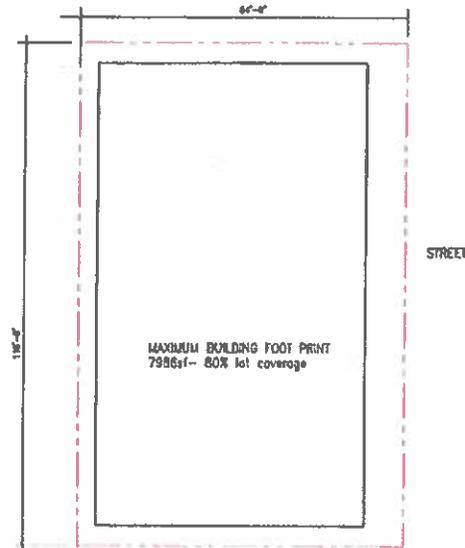


PLOT PLAN  
5000 SF LOT

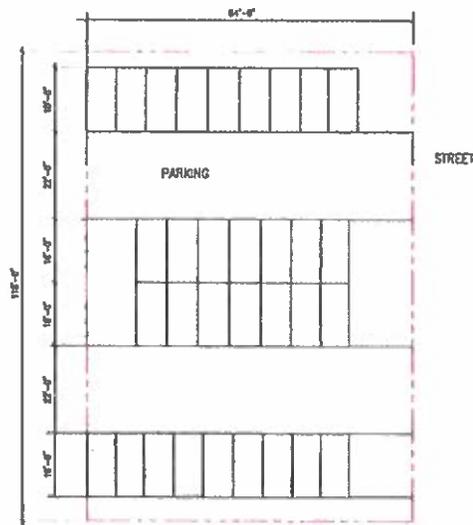


**A BILL FOR AN ORDINANCE**

**Figure -2.80 [2-60]**  
**10,000 SQUARE FOOT LOT**



PLOT PLAN  
 10,000 SF LOT

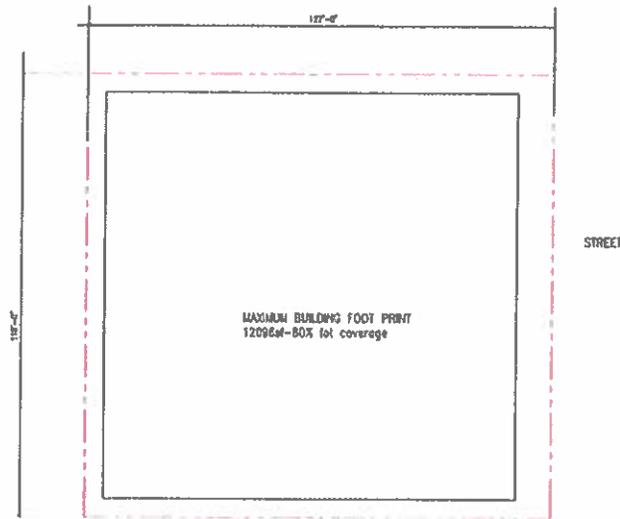


PLOT PLAN  
 10,000 SF LOT

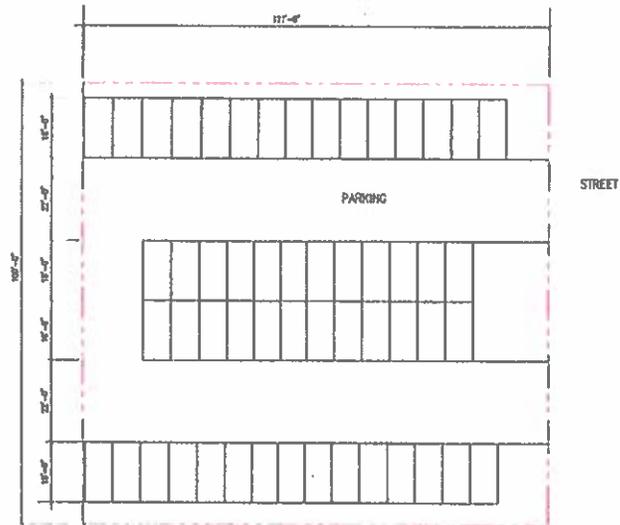


**A BILL FOR AN ORDINANCE**

**Figure -2.80 [2.60]**  
**15,000 SQUARE FOOT LOT**



**PLOT PLAN**  
**15,000 SF LOT**

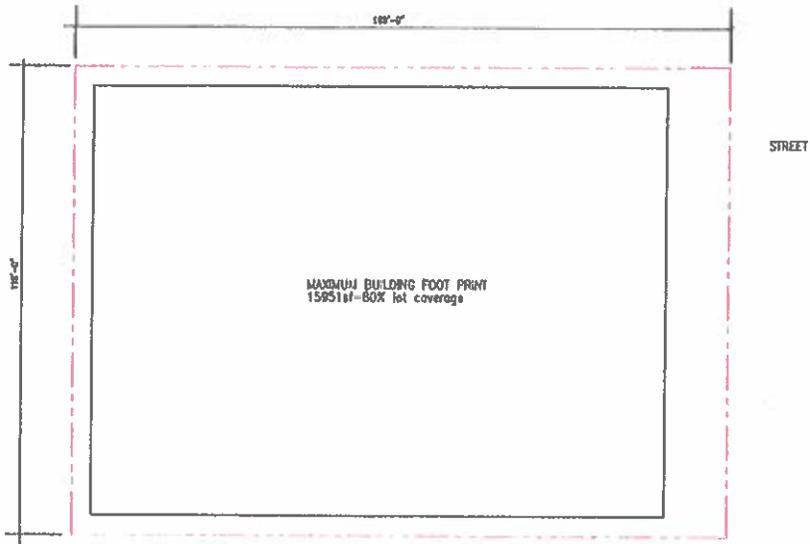


**PLOT PLAN**  
**15,000 SF LOT**

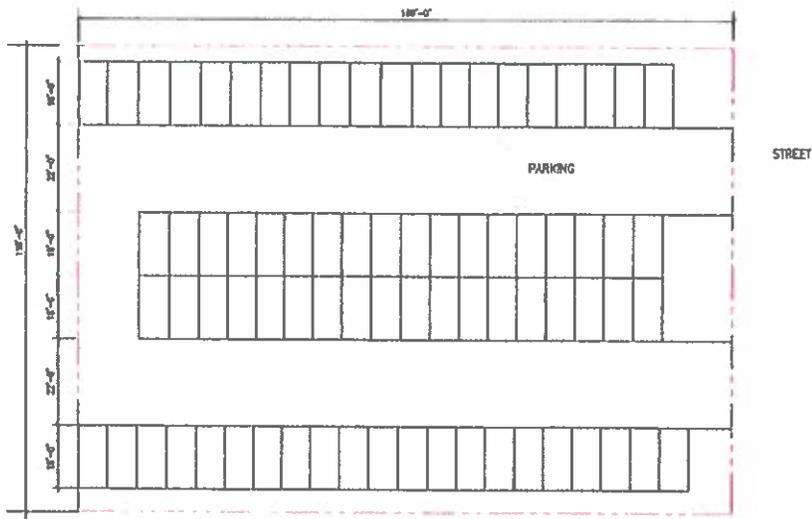


**A BILL FOR AN ORDINANCE**

Figure 2.80 [2.60]  
20,000 SQUARE FOOT LOT



PLOT PLAN  
20,000 SF LOT



PLOT PLAN  
20,000 SF LOT

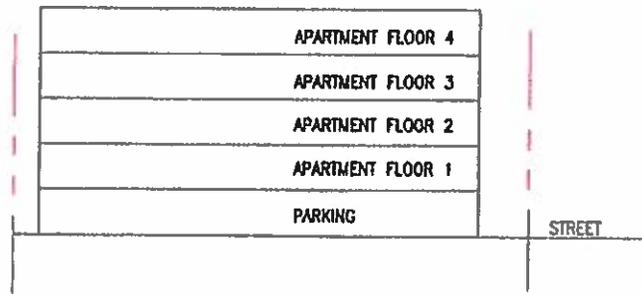


**A BILL FOR AN ORDINANCE**

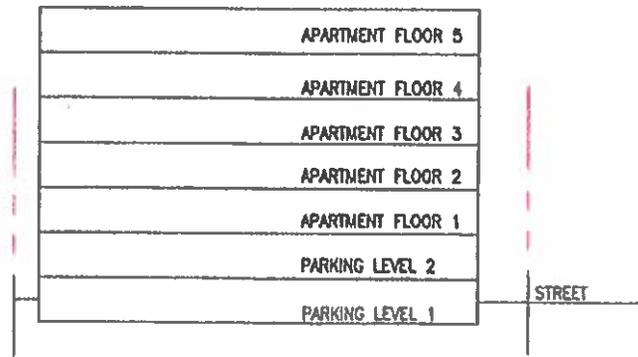
**Section 2.90[2.70]. Examples of Maximum Building Height.**

The following illustrate possible configurations of building height. They do not necessarily reflect acceptable parking configurations or compliance with all other development standards.

**Figure -2.90 [2.70]**



**SECTION OF 45 FEET MAXIMUM HIGH BUILDING**



**SECTION OF 60 FEET MAXIMUM HIGH BUILDING**



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## A BILL FOR AN ORDINANCE

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Section -2.100[2-80]. Abandonment of Use.

If at any time the project ceases to fall within the definition of affordable rental housing, the use shall be deemed a multi-family dwelling use and shall comply with nonconformity provisions of Chapter 21, ROH, as applicable.

### Article 3. Building Construction Standards

Sections:

- 3.10 General Provisions
- 3.20 Standards

Section -3.10 General Provisions.

- (a) The director of the department of planning and permitting shall administer this Article. The director may designate duties established under this Article.
- (b) The intent of this article is to provide special construction requirements for the construction of affordable rental housing as permitted in this chapter. Where there is a conflict between the provisions of this article and the provisions of Chapters 16 and 27, ROH, the building and housing codes, the provisions of this article shall prevail. The requirements set forth herein are minimum requirements. All other provisions of Chapters 16 and 27 shall apply.

Section -3.20 Standards.

- (a) Building Heights and Areas. The height permitted by Table -A shall be increased in accordance with Section 504 of the building code. The area of a one-story building shall not exceed the limits set forth in Table -A, except as provided in Section 506 of the building code.



**A BILL FOR AN ORDINANCE**

**TABLE \_-A**

TYPE OF CONSTRUCTION	ALLOWABLE HEIGHT AND BUILDING AREAS FOR MID-RISE MULTI-FAMILY RESIDENTIAL BUILDINGS				
	Height Limitations shown as stories and feet above grade plane. Area limitations as determined by the definition of "Area, building," per story.				
	IB	IIA	IIIA	HT	VA
	MAXIMUM HEIGHT (feet)				
	60	60	60	60	50
Height/Area	Maximum Height (stories) and Maximum Area (sq. ft.)				
H	7 80% of land area	7 80% of land area	7 80% of land area	7 80% of land area	5 80% of land area
A					

- (b) Type of Construction. The minimum type of construction shall be in accordance to Chapter 6 of the building code and Table \_-A.
- (c) Fire-Resistance Rated Construction and Requirements.
  - (1) Where an exterior wall is less than 10 feet from the property line, one-hour fire rated exterior walls with no greater than 25% openings per wall surface; provided further that the windows in the openings may be unrated.
  - (2) One-hour fire rated corridor walls for double loaded corridors and demising walls between units.
  - (3) Twenty-minute [~~One-hour~~] fire rated entry doors to units with automatic closure mechanisms.
  - (4) Unrated fire interior walls within each dwelling unit.
  - (5) One-hour fire rated floors and roof or Heavy Timber.
  - (6) Two-hour fire rated walls between units and building stairs or passenger elevators.
  - (7) Two-hour fire rated walls and ninety-minute fire rated door in the booster pump room described in Section \_\_-3.30(d)(5).
  - (8) All domestic water and fire sprinkler piping shall be made of non-combustible material.
- (d) Fire Protection System. The installation of automatic sprinkler systems for protection against fire hazards shall be designed and installed in



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**A BILL FOR AN ORDINANCE**

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accordance with Section 903 of the building code or for residential occupancies up to and including seven stories in height in buildings not exceeding 60 feet in height above grade an automatic sprinkler system shall be provided as follows:

- (1) A common sprinkler/domestic main shall installed throughout the building.
  - (2) Vertical risers shall be provided with a secured shutoff valve locked in the open position. All required outages shall be provided with a fire watch.
  - (3) All sprinkler heads shall be installed prior to the last plumbing fixture served within the unit. All sprinkler piping serving a sprinkler head shall be kept to a minimum and no greater than 16 inches in length.
  - (4) The discharge density shall be 0.05 gpm/sf with a maximum of four sprinkler heads within a compartment.
  - (5) A booster pump shall be provided to accommodate the domestic water and greatest hydraulic demanding sprinklers within a unit. The booster pump shall provide a minimum of 40 psi at the top of the riser.
  - (6) A manual wet stand pipe shall be pre-charged from a domestic water supply tap. The stand pipe shall be located in an exterior open stairwell with two-hour rated walls.
  - (7) For exterior walls that are between five and ten feet from the property line with greater than a 10% wall opening, there must be a sprinkler head at all wall openings to provide a water curtain when the sprinkler head is activated.
  - (8) For buildings over 40 feet in height with Type VA construction, an NFPA 13 sprinkler system shall be required.
  - (9) A mechanical engineer licensed in the State of Hawai'i shall prepare the plans for the automatic sprinkler system required by this section.
- (e) Fire and smoke alarm systems. Smoke detectors with audio alarms that are electronically powered shall be installed in bedrooms and kitchens of affordable rental dwellings. An alarm pull box is to be installed on each floor of the building which shall be electronically connected to set off bell alarms on all floors of the building.
- (f)~~(e)~~ Means of Egress. Exterior corridors and balconies that are open with railings ~~[guards of a minimum one-hour fire-rated construction]~~ or other



**A BILL FOR AN ORDINANCE**

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noncombustible fascia surfaces may be constructed up to five feet from the property line.

(g)[(f)] Fire Escape Stairs.

- (1) All fire stair exits may be open; provided that the walls adjoining any unit are two-hour fire rated walls.
- (2) The minimum width for at least one fire exit stair shall be 36 [48] inches and the other fire exit stairs shall be no less than 30 [36] inches in width, if no elevator is provided.
- (3) Buildings with 35 units or less [~~and less than three stories in height~~] may have one fire exit stair exiting to the ground floor provided that the one exit stair shall be at least 48 inches wide, shall be made of non-combustible or Heavy Timber construction, shall also have an exit to the roof with a standard-sized door at the roof top exit, and shall have a railed-off waiting area on the roof; provided further that the total length of the building shall not be greater than 100 feet.
- (4) Alternative fire exits in lieu of a second fire exit stair, including a drop ladder system and smaller sized stairs, subject to approval of the Fire Chief.

(g) Exterior Glass. Exterior glass in the affordable rental housing shall be exempt from the requirements of the Building Energy Conservation Code, Chapter 32, Revised Ordinances of Honolulu.

(h) Accessibility. Design of building and facilities shall be in compliance with the Fair Housing Act. Elevators shall not be required unless mandated by Section 1007.2.1 of the International Building Code."

Article 4. Exemption from General Excise Taxes

Sections:

- 4.10 Intent
- 4.20 Application

Section -4.10 Intent.

The intent of this article is to provide an additional incentive to spur the construction of affordable rental housing as permitted in this Chapter.



**A BILL FOR AN ORDINANCE**

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Section -4.20 Application.

A developer of affordable rental housing may file with the department of budget and fiscal services an application for an exemption from State of Hawaii general excise taxes under the provisions of Section 201H-38, Hawaii Revised Statutes, and the department of budget and fiscal services shall file the application with the Hawaii Housing Finance and Development Corporation to obtain the State of Hawaii general excise tax exemption.

SECTION 4. Waiver of Wastewater System Facility Charges. Section 14-10.(a), Revised Ordinances of Honolulu 1990 ("Waiver of wastewater system facility charges for affordable dwelling units) is amended to read as follows:

- "(a) Wastewater system facility charges, as set forth in Appendix 14-D of this chapter will be waived for the following:
- (1) Affordable dwelling units as defined in and as provided on-site or off-site pursuant to Chapter \_\_;
  - (2) Affordable dwelling units provided pursuant to a planned development-transit permit pursuant to Section 21-9.100-10, or an interim planned development-transit permit pursuant to Section 21-9.100-5;
  - (3) Affordable rental dwelling units developed in compliance with HRS Section 201H-36(a)(5); and
  - (4) Affordable rental housing as defined under Chapter ."

SECTION 5. Waiver of Plan Review and Building Permit Fees. Section 18-6.5, Revised Ordinances of Honolulu[,] 1990, is amended to read as follows:

Section 18-6.5. Exemptions.

- (a) The city, all agencies thereof and contractors therewith will be exempt from the requirement of paying plan review and permit fees.
- (b) The building official may grant an exemption from the requirement of paying plan review and permit fees for any person seeking to restore or reconstruct a structure damaged or destroyed as a result of a major disaster. For the purposes of this section:



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**A BILL FOR AN ORDINANCE**

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- (1) "Major Disaster" means any hurricane, tornado, storm, flood, high water, tsunami, earthquake, volcanic eruption, landslide, mud slide, fire, explosion or other catastrophe occurring in any part of the city that causes damage, suffering, and loss to such a degree that:
- (A) The President of the United States has declared, pursuant to the Disaster Relief Act of 1974, P.L. 93- 288, that a major disaster exists such that the city or any part thereof is eligible for federal disaster assistance programs;
  - (B) The governor of the State of Hawai'i has declared pursuant to HRS Chapter 209 that a major disaster has occurred;
  - (C) The mayor has issued a proclamation declaring the existence of a major disaster; or
  - (D) The council has adopted a resolution declaring the existence of a major disaster.
- (2) "Restore and reconstruct" means any repair or other work performed to return a structure to its former condition that does not increase the floor area of the structure beyond that of the structure prior to the major disaster, is in conformance with the building code, flood hazard regulations, land use ordinance, and other applicable laws, and is started within two years of the major disaster.
- (3) The burden of proof that work to be performed qualifies for an exemption from the payment of building permit fees due to a major disaster will be on the owner of the structure. An applicant filing for such exemption must certify in writing that the work to be performed will be in conformance with the requirements of this section.
- (c) All owners and their contractors will be exempt from paying that portion of any building permit fee for permits issued after September 15, 1994 attributable to the installation of ultra-low flush toilets that they install on



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their properties to replace existing non-ultra-low flush toilets.

- (d) The building official shall waive the collection of any building permit fee for a period of three years where the business has been certified to be a qualified business pursuant to Section 35-1.3.
- (e) The building official shall waive the collection of any building permit fee for any person seeking to replace a dilapidated dwelling unit located on homestead land leased under the Hawaiian Homes Commission Act of 1920. For the purposes of this section:
  - (1) "Dilapidated dwelling unit" means any residential home that has significantly deteriorated because of age, termites, or other causes, which make the home unsafe, uninhabitable, or unhealthy.
  - (2) The burden of proof that a dwelling unit is dilapidated and qualifies for an exemption from the payment of building permit fees will be on the owner of the unit. An applicant filing for such exemption shall attach acceptable proof that the dwelling unit is dilapidated to the building permit application.
  - (3) The replacement home may increase the floor area of the originally demolished or removed structure.
- (f) The building official shall waive the collection of any plan review and building permit fees exclusively for the creation of an "accessory dwelling unit," as defined in Section 21-10.1. The plan review and building permit fees that were collected for the creation of "accessory dwelling units" after September 14, 2015 will be reimbursed if requested by the permittee. Building permit fees and plan review fees will not be waived where a permit was required and work started or proceeded without obtaining a permit. In these cases, fees will be required pursuant to Section 18-6.2(d).
- (g) The building official shall waive the collection of the plan review and building permit fees for the residential portion of a project equal to:
  - (1) The percentage of affordable dwelling units as defined in and as provided within the project pursuant to Chapter \_\_: or



**A BILL FOR AN ORDINANCE**

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- (2) The percentage of affordable dwelling units provided pursuant to a planned development-transit permit pursuant to Section 21-9.100-10. or an interim planned development-transit permit pursuant to Section 21-9.100-5.
- (h) The building official shall waive the collection of the plan review and building permit fees for the residential portion of a project that is in compliance with HRS Section 201H-36(a)(5).
- (i) The building official shall waive the collection of the plan review and building permit fees for affordable rental housing as defined in Article 1 of Chapter \_\_\_\_."

SECTION 6. Waiver of Park Dedication Requirement. Section 22-7.3(j), Revised Ordinances of Honolulu 1990 ("Subdivision of Land - Scope"), is amended to read as follows:

- (j) This article also does not apply to the following dwelling units:
  - (1) Affordable dwelling units as defined in and as provided on-site or off-site pursuant to Chapter \_\_\_\_;
  - (2) Affordable dwelling units provided pursuant to a planned development transit permit pursuant to Section 21-9.100-10, or an interim planned development-transit permit pursuant to Section 21-9.100-5; or
  - (3) Affordable rental dwelling units provided in compliance with HRS Section 201H-36(a)(5); or
  - (4) Affordable rental housing as defined in Chapter \_\_\_\_."

SECTION 7. Expedited Processing.

Upon acceptance of a complete application for a building permit application to construct affordable rental housing, the department of planning and permitting must either approve or disapprove the application within 90 calendar days. Failure on the part of the department to approve or disapprove within 90 days shall constitute approval of the application.

SECTION 8. Ten-Year Property Tax Exemption. Chapter 8, Article 10, Revised



**A BILL FOR AN ORDINANCE**

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Ordinances of Honolulu 1990 ("Real Property Tax Exemptions"), is amended by adding a new section to be designated by the Revisor of Ordinances and to read as follows:

"Section 8-10. \_\_ Exemption – Qualifying affordable rental housing.

(a) For the purposes of this section:

"Affordable rental housing" shall have the same meaning as defined and permitted under Chapter \_\_, ROH.

"Affordable rental housing unit" shall have the same meaning as defined and permitted under Chapter \_\_, ROH.

"Area median income" or "AMI" refers to the current area median income determined by the United States Department of Housing and Urban Development annually for the Honolulu Metropolitan Statistical [a]Area as adjusted for household size.

"Regulated period" means the ten-year period commencing upon the effective date of the claim for exemption approved by the director and ending on June 30<sup>th</sup> of the last year of the ten-year period.

~~["Declaration of Restrictive Covenants" shall have the same meaning as defined under Chapter \_\_, ROH.]~~

(b) Real property improved with affordable rental housing ~~[and subject to the Declaration of Restrictive Covenants]~~ may qualify for an exemption under this section. The director's approval of a claim for exemption will exempt real property from real property taxes during the regulated period. The exemption amount is the total assessed value of the real property multiplied by the ratio of the living area rented to households with earnings at or below 80% AMI~~[-as specified in the Declaration of Restrictive Covenants;]~~ to the total building living area.

(c) Real property determined by the director to be exempt as described in subsection (b) will be exempt from property taxes effective as of the filing date of the claim for exemption but only if the claim is filed with the director within 60 days after any certificate of occupancy is issued by the department of planning and permitting. In the event property taxes have been paid in advance to the city for real property that



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**A BILL FOR AN ORDINANCE**

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subsequently qualifies for the exemption, the director shall refund to the owner that portion of the taxes attributable to, and paid for the period after the effective date of the exemption. Where a claim for exemption is filed more than 60 days after any certificate of occupancy has issued but on or before September 30, the effective date of an exemption approved by the director will be July 1 of the succeeding tax year.

- (d) After the initial year for which the real property has qualified for an exemption, a claim for continued exemption ~~[report]~~ shall be filed annually on or before September 30<sup>th</sup> during the regulated period~~].—~~ ~~The report shall certify], together with a certification from the applicant~~ that the affordable rental housing units for which an exemption is being claimed ~~[apartment continues to be in compliance with the restrictive-covenant and Chapter \_\_, ROH, and that the affordable rental housing-units]~~ are rented to households earning 80% AMI~~], and rented at or below the rental rate limits established by the United States Department of Housing and Urban Development for households-earning 100% AMI for the applicable household size]~~ or less. The director may provide forms as may be necessary to administer this subsection.
- (e) The director may, after 30-days written notice, audit the records of the real property exempt from taxes under this section. An owner's refusal or failure to cooperate and produce all records requested by the director may result in the cancellation of the exemption and subject the real property to the taxes and penalties determined in subdivision (f)(3).
- (f) Cancellation of Exemption-Penalties.
  - (1) Notice by Director.

Following the initial year for which real property has qualified for an exemption under this section, if an owner fails to file the annual certification by the September 30th deadline, the director shall promptly mail a notice to the owner at the owner's address of record stating that unless annual certification is received by the director by November 15th of the same year, the exemption will be canceled.
  - (2) Cancellation of Exemption.



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**A BILL FOR AN ORDINANCE**

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- (A) An owner who has been sent a notice under subdivision (1) by the director and who fails to file the annual certification by the November 15th deadline will have the exemption canceled and subject the real property to the taxes and penalties determined in subdivision (3).
- (B) In the event the director finds that the initial or a subsequent claim for exemption contains false or fraudulent information, the director shall cancel the exemption retroactive to the effective date of the application which contains false or fraudulent information.
- (C) In the event the director finds that the affordable rental housing building [~~apartment~~] fails to meet the requirements of this section or Chapter \_\_\_\_, ROH, during the regulated period, the director shall cancel the exemption retroactive to the date the building fails to meet the requirements during the exemption period, and subject the real property to the taxes and penalties determined in subdivision (3).

- (3) **Back Taxes and Penalties.**  
In the event the director cancels the exemption pursuant to subdivision (2)(B) or (2)(C), real property shall be subject to the difference in the amount of taxes that were paid and those that would have been due but for the exemption allowed, together with a penalty in the form of interest at 10 percent per annum, from the respective dates that these payments would have been due. The taxes and penalties due will be a paramount lien upon the real property.

In the event a claim for an exemption is submitted after the September 30th deadline but on or before the November 15th deadline, a late filing penalty of \$500 will be imposed.

- (g) If an exemption is granted [~~claimed~~] under this section, an exemption for the same property may not be claimed under any other section.

SECTION 9. Property Tax Exemption During Construction and Marketing.  
Chapter 8, Article 10, Revised Ordinances of Honolulu 1990 ("Real Property Tax



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**A BILL FOR AN ORDINANCE**

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Exemptions"), is amended by adding a new section to be designated by the Revisor of Ordinances and to read as follows:

"Sec. 8-10.          Exemption – During construction work for and marketing of affordable rental apartments

(a) As used in this section:

Affordable rental housing [~~apartment~~]" shall have the same meaning as defined and permitted under Chapter         , ROH.

Qualifying construction work" means work to construct affordable rental housing [~~apartments~~].

(b) Any incremental increase in the valuation of the real property primarily attributable to qualifying construction work will be exempt from property taxes.

(c) A claim for exemption must be filed with the director on or before September 30th preceding the first tax year for which the exemption is claimed on a form as may be prescribed by the department. The claim for exemption must be supported by documentation establishing the date of the issuance of the building permit for demolition, if applicable, or the building permit for new buildings or portions thereof, additions, or substantial rehabilitations, ~~and accompanied by a duly filed Declaration of Restrictive Covenant as defined in Section 8-10.         , ROH~~.

(d) The claim for exemption, once allowed, will expire:

(1) Two calendar years after issuance of a building permit for a new building or portions thereof, additions, or substantial rehabilitations;

(2) Upon issuance of a certificate of completion; or

(3) Upon issuance of any certificate of occupancy;

whichever occurs first. The director may extend this exemption for good cause.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_

**BILL 7 (2019), CD1**  
**(proposed)**

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**A BILL FOR AN ORDINANCE**

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- ~~(e) If, within five years of the expiration of the claim for exemption, the affordable rental apartment is not in compliance with the recorded restrictive covenant, the exemption shall be retroactively revoked and the owner shall reimburse the director the exemption amount.~~

SECTION 10. Ordinance material to be repealed is bracketed and stricken. New material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring. The Revisor of Ordinances shall, pursuant to the Revisor's authority under ROH Section 1-16.3(b)(6) replace reference numbers to agree with newly numbered chapters or sections.

SECTION 11. Effective Date.

- (a) This ordinance takes effect upon its approval and will be repealed five years after its effective date.
- (b) No later than two years prior to the repeal date of this ordinance, the [D]director of the [D]department of [P]planning and [P]permitting shall submit to the [C]city [C]council a report on the number of affordable rental dwelling units developed under this ordinance. The report shall also make recommendations regarding the repeal, modification, or extension of this ordinance.
- (c) Upon the repeal of this ordinance, affordable rental housing and the structures developed pursuant to this ordinance shall be considered a nonconforming use and structures, respectively, as provided under Chapter 21-4.110.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_

**BILL 7 (2019), CD1**  
**(proposed)**

**A BILL FOR AN ORDINANCE**

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INTRODUCED BY:

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\_\_\_\_\_  
\_\_\_\_\_

DATE OF INTRODUCTION:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Honolulu, Hawaii

\_\_\_\_\_  
Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_ .

\_\_\_\_\_  
KIRK CALDWELL, Mayor  
City and County of Honolulu

March 25, 2019

Councilmember Kymberly Marcos Pine  
Chair, Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing,

My name is Derek Lock and I am an Affordable Housing Developer. Thank you for hearing this very important Bill which has been brought before you.

If you drive around the apartment zoned neighborhoods of Oahu (Moiliili, Makiki, Punchbowl, Waikiki, Kapahulu, etc.) you'll notice a lot of old homes and buildings. These structures which were often built in the 1940's or earlier are not only maintenance nightmares, they are fire hazards and natural disaster hazards. If you enter one of these buildings, it's like taking a step back into time. Original pipes, original electrical, original stove, original flooring, etc. If the unit or home is being rented, you'll ask yourself if the market rents being charged for these old run-down places can be justified. The bottom line is that the owners of these properties are stuck as redevelopment cannot not pencil out to yield a proper return.

Through easing of the building and zoning codes as well as through certain incentives, the Affordable Rental Housing Bill will assist in keeping development cost down, helping landowners who are trapped with older dilapidated structures on their apartment zoned lands.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019, which contains many of the features of Bill 7 as proposed by the Department of Planning and Permitting, but with important differences as pointed out by others who are supporting the M&M alternate bill.

As you may know, building for the affordable market does not produce the windfall profits that other development types produce. The version of the Bill that I am advocating for will not assist in producing windfall profits either. What it will do is help to make a project more feasible and reduce certain development risk. This Bill will allow developers to build again on apartment zoned lands, it will provide homes for renters and it will give peace of mind to landowners while simultaneously refreshing and making apartment zoned properties safer.

Thank you for the opportunity to submit this testimony.

Aloha,



Derek Lock  
HNL Development LLC

March 25, 2019

Councilmember Kymberly Marcos Pine  
Chair, Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing,

My name is Jerry Wang and I own and speak on behalf of my family who also own apartment-zoned parcels of land on Oahu.

Even though I am based in New York City, I have been following this bill closely over the past several months. This bill will allow my family to redevelop our lands and build vitally needed (new low-rent) apartment units then presently exists.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019. The M&M version of the bill makes the projects realistic as it increases the feasibility of new buildings while also decreasing the endeavor's risks.

Over the past decade I have made significant investments in Honolulu apartment zoned real estate as it is my goal to one day move back to the place where I was raised. I believe the M&M Version of the City's Affordable Rental Housing Bill will help me to achieve this goal.

Thank you for the opportunity to submit this testimony.

Aloha,

  
Jerry Wang



March 15, 2019

Kymerly Pine  
Zoning Committee Chair  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813

Re: **Bill 7 (2019) Relating to Affordable Rental Housing**

Dear Chair Pine and Members of the City Council Zoning Committee,

My name is Catherine Ngo, President and CEO of Central Pacific Bank, and I would like to testify in support of Bill 7, as amended by the M&M Version Transmitted from the Planning Commission on February 27, 2019.

The need for affordable rental units in Hawaii has risen to unprecedented levels, largely due to the increasing housing demand, coupled with the absence of attention given to encourage private developers to build more affordable rental units with a fair return on investment. This bill will provide incentives for landowners and developers to build critically needed affordable rental units on lands already zoned for multi-family dwellings. Taxpayers will not need to subsidize these developments which will be completely funded by the private sector.

The additional inventory of affordable rental units will serve a sector of our population that represents a growing hot spot of local residents that are in between homeownership and homelessness. The rental units will be dedicated to housing those earning up to 100% of the Honolulu AMI, or \$81,700 for a single person to \$116,600 for a family of four.

I urge the City Council's favorable action on Bill 7 with its amendments, as the positive impact to the needs of our island residents and our overall quality of life in Hawaii will be significant and long-lasting.

Thank you very much for your consideration.

Aloha,

A handwritten signature in cursive script that reads 'A.C. Ngo'.

Catherine Ngo  
President and Chief Executive Officer  
Central Pacific Bank

**March 26, 2019**

Councilmember Kymberly Marcos Pine  
Chair, Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing,

My name is Ken Matsuura and I am Real Estate Developer and Investor.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019, which contains many of the features of Bill 7 as proposed by the Department of Planning and Permitting, but with important differences as pointed out by others who are supporting the M&M alternate bill.

This bill will provide incentives for landowners and developers to build vitally needed affordable rental units on lands already zoned for multi-family dwellings.

Why is this Important?

#1 – there is a huge need for affordable rental units. This is one area of the housing market that has been neglected because it has been too hard to build these units and still make a reasonable return on investment. This bill would change that by focusing on low to mid-rise, walk-up buildings that can be built economically, much like they were in the '50s and '60s. The rental apartments that will be built are to be 100% rented to those making 100% of the Honolulu AMI and less. This equates to \$81,700 for a single person to \$116,600 for a family of four. We anticipate that monthly rents would be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.

#2 – these units will be built on lands already zoned for apartments so the conflicts that we see with monster homes being built in residentially zoned areas will be eliminated. These monster homes are being built in residential areas because there is a need for more affordable housing and that is one way that the private sector will move to meet the demand. This bill provides a better alternate solution.

What is the potential number of units that could be built?

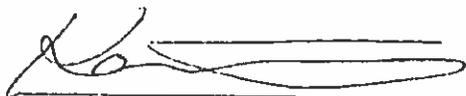
DPP looked at this and estimated that between 14,000 and 21,000 additional units could be built in Apartment zoned lands with these kinds of incentives. This estimate does not include Apartment Mixed Use land, Business zoned lands, or Business Mixed-Use lands, so the possible number of additional units is in excess of DPP's estimate. This also does not include development on public school lands which is also being proposed as a way to help stem the shortage of teachers who are leaving the DOE because of the lack of affordable housing. This development would take place over a number of years and would make a huge dent in our currently estimated shortage of 65,000 to 85,000 units by the year 2025.

And the beauty of this bill is that there is no government subsidy involved. This will all be done by the private sector. If, however, government financing is involved, the rental rates may be lower but additional governmental conditions and restrictions deemed unduly burdensome to private landowners may be imposed.

This bill is certainly a step in the right direction to provide more sorely needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Aloha,

A handwritten signature in black ink, appearing to read 'Ken Matsuura', written over a horizontal line.

Ken Matsuura

March 25, 2019

Kymerly Marcos Pine, Chair  
Committee on Zoning and Housing  
Honolulu City Council  
530 South King Street  
Honolulu, HI 96813

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Committee Members:

Thank you for the opportunity to submit testimony in favor of Bill 7, Relating to Affordable Rental Housing, as amended by the M&M version transmitted from the Planning Commission on February 27, 2019.

I am not a real estate developer or investor, though I work for a company that has been very successful in that business. I am writing on behalf of the many middle-income residents of Hawaii who have sacrificed our retirements to help our children get ahead and are now concerned about whether they even have a future in Hawaii. My daughter is a graduate of Iolani School and the University of Oregon. She is currently in her fourth year of teaching at Kaiser High School, loves her job, and has already helped a number of kids graduate who may not have done so without her push. She managed to get a few steps further up the salary scale via a master's degree and extra credit courses, but she is still not earning enough to afford to rent her own place. I cannot believe that she grew up with more advantages than any other generation in our family, and yet she is unable to achieve this rite of passage to adulthood without giving up teaching for a more lucrative career.

These challenging economic times call for creative measures and it is rare to hear an idea that doesn't involve raising taxes for middle-income wage earners. Please support Bill 7 so we can begin to address Oahu's affordable housing shortage and give young people like my daughter a way to stay in Hawaii and help our community to succeed. Thank you for your consideration.

Sincerely,



Vivian Shiroma  
Office Manager

RMH Real Estate, LLC  
215 N. King Street, Suite 1000  
Honolulu, Hawaii 96817  
Phone (808) 526-2027 x2 Fax (808) 526-2066

March 26, 2019

Via email to Honolulu City Council

Kymberly Marcos Pine, Chair  
Committee on Zoning and Housing  
City Council – City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813

**Re: Bill 7 (2019) Relating to Affordable Rental Housing**

Dear Chair Pine and Members of the Committee on Zoning and Housing:

My name is Ryan Harada and I am a real estate developer focusing on affordable housing. I am writing in support of Bill 7 as Amended. This version (transmitted from the Planning Commission to the City Council on February 27, 2019) contains many features of Bill 7 proposed by the Department of Planning and Permitting (DPP), but with important differences.

This bill provides incentives for landowners and developers to build much needed affordable rentals on lands already zoned for multi-family dwellings. As you know, this type of housing has been neglected due to the high cost of land and construction, and the nominal return on investment for the developer. This bill would change that by focusing on low- to mid-rise walk-up buildings that can be built efficiently.

In addition, there are no government subsidies involved. The private sector provides the capital and occupants will be those making up to 100% of the Honolulu AMI. DPP estimated an additional 14,000 – 21,000 units could be built if Bill 7 as Amended passes. In summary, this bill provides developers and landowners needed incentives aimed at spurring construction of affordable rentals.

Thank you for considering my testimony.

RMH Real Estate, LLC

By:   
Name: Ryan M. Harada  
Its: Manager

Jacob R. Fergus

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125 MERCHANT STREET, SUITE 200  
HONOLULU, HAWAII 96813  
TELEPHONE (808) 545-1700  
FAX (808) 545-1788

March 27, 2019

Councilmember Kymberly Marcos Pine  
Chair, Committee on Zoning and Housing  
City Council  
City & County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813-3077

Re: Bill 7 (2019) Relating to Affordable Rental Housing

Dear Chair Pine and Members of the Committee on Zoning and Housing,

My name is Jake Fergus and I work in commercial real estate in Honolulu.

I am writing in support of Bill 7, as amended by the M&M Version transmitted from the Planning Commission to the City Council on February 27, 2019, which contains many of the features of Bill 7 as proposed by the Department of Planning and Permitting, but with important differences as pointed out by others who are supporting the M&M alternate bill.

This bill will provide incentives for landowners and developers to build vitally needed affordable rental units on lands already zoned for multi-family dwellings.

Why is this important?

- #1 – there is a huge need for affordable rental units. This is one area of the housing market that has been neglected because it has been too hard to build these units and still make a return on the investment. This bill would change that by focusing on low to mid-rise, walk-up buildings that can be built economically, much like they were in the '50s and '60s. The rental apartments that will be built are to be 100% rented to those making 100% of the Honolulu AMI and less. This equates to \$81,700 for a single person to \$116,600 for a family of four. We anticipate that monthly rents would be approximately \$1,350 for one-bedroom units, \$1,600 for two-bedroom units, and \$1,750 for three-bedroom units.
- #2 – these units will be built on lands already zoned for apartments so the conflicts that we see with monster homes being built in residentially zoned areas will be eliminated. These monster homes are being built in residential areas

because there is a need for more affordable housing and that is one way that the private sector will move to meet the demand. This bill provides a better solution.

What is the potential number of units that could be built?

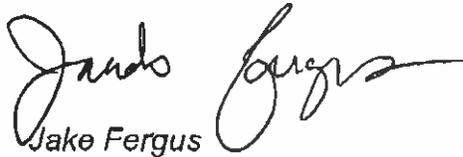
- DPP looked at this and estimated that between 14,000 and 21,000 additional units could be built in Apartment zoned lands with these kinds of incentives. This estimate does not include Apartment Mixed Use land, Business zoned lands, or Business Mixed-Use lands, so the possible number of additional units is in excess of DPP's estimate. This also does not include development on public school lands which is also being proposed as a way to help stem the shortage of teachers who are leaving the DOE because of the lack of affordable housing. This development would take place over a number of years and would make a huge dent in our currently estimated shortage of 65,000 to 85,000 units by the year 2025.

And the beauty of this bill is that there is no government subsidy involved. This will all be done by the private sector. If, however, government financing is involved, the rental rates may be lower but additional governmental conditions and restrictions deemed unduly burdensome to private landowners may be imposed.

This bill is certainly a step in the right direction to provide more badly needed affordable rental housing on Oahu.

Thank you for the opportunity to submit this testimony.

Aloha,

  
Jake Fergus