Report to the 2025 Hawaii State Legislature:

Pursuant to House Concurrent Resolution 131, adopted on April 22, 2024, URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO DEVELOP A TEN-YEAR PLAN TO SATISFY HAWAII'S HOUSING DEMAND.

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Analysis of Systemic Barriers to Housing Production in Hawaii

Introduction

Hawaii faces a chronic housing shortage that affects its residents' quality of life and economic well-being. The high demand for housing and the limited supply of affordable units have resulted in soaring housing costs that burden households across a wide range of income levels.

According to the *Hawaii Housing Demand: 2025-2035* report, the projected housing demand for the state over this period is 24,823 units based on population growth using the cohort method and 41,118 based on historical trends. The average of the two scenarios is 32,970 housing units.

Recognizing the severity of the housing crisis, Governor Josh Green, M.D., declared a state of emergency in July 2023, issuing the Proclamation Relating to Housing (the EP), which aspired to lower or eliminate barriers to housing production. Unfortunately, the crisis was further exacerbated on August 8, 2023, when historic Maui wildfires burned over 3,000 acres and 2,300 inhabitable structures in Lahaina and Kula. The provisions in the EP were refined through subsequent emergency proclamations.
HHFDC has prepared this analysis of systemic barriers to housing production (this Report) in response to House Concurrent Resolution 131, SLH 2024, which requested that HHFDC "develop a 10-year plan to satisfy Hawaii's housing demand." This Report is done as such because the systemic barriers that impede housing production need to be addressed in advance of any preparation of any reasonably implementable plan to accelerate the production of housing in the state.

This Report is organized into three sections, which correspond to the three basic prerequisites for a healthy and functional housing market:

1) Adequate supply of suitable land,
2) Sufficient infrastructure to support development, and
3) Availability of financing.

Each section provides an overview of the systemic barriers that constrain housing production in Hawaii and suggests policy changes to lower those barriers.

Established by the Legislature pursuant to Act 196, Session Laws of Hawaii (SLH) 2005, as amended by Act 180, SLH 2006, HHFDC was created to perform the function of housing financing and development in the state of Hawaii and shares housing production responsibilities with several other State agencies as well as the counties.

Prerequisite 1: Adequate Supply of Suitable Land

The availability and suitability of land for residential development is a critical factor affecting housing production and affordability in Hawaii. However, in addition to topographic and geologic challenges representing structural barriers, the supply of land for housing is constrained by various systemic barriers, such as the State Land Use Law, restrictive zoning regulations, pervasive community opposition, permitting obstacles, land aggregation challenges, and restrictions on developing State lands. These barriers limit the areas and types of land that can be used for housing, which increases development risks (and therefore costs) by creating uncertainty and delays for developers. To address these barriers, this Report proposes the following policy changes targeting:

A. Duplicative Land Use System

The State Land Use Law, established in 1961, classifies all lands in Hawaii into one of four districts: Urban, Agricultural, Conservation, and Rural. The law is administered by the State Land Use Commission (LUC), which reviews and decides on most requests to amend land use boundaries. The law creates an artificial scarcity of land for housing, as only five percent of the State's land is classified as Urban. The law also duplicates county zoning, which itself dictates specific land uses and adds another layer of bureaucracy for developers. The law's quasi-judicial process to reclassify land use is complex, time-consuming, and subject to legal challenges, creating uncertainty and delays for housing projects.

This Report recommends streamlining the State Land Use law such that areas designated as "urban" in county general and development plans are automatically included in the "urban" state land use district, eliminating the need for LUC approval. This would simplify the process of reclassifying land for urban use, reduce regulatory duplication, and increase the supply of land available for housing development. To this end, HHFDC and the Office of Planning and Sustainable Development have drafted legislation for the 2025 legislative session that makes the necessary amendments to the State Land Use Law.

B. Restrictive Zoning Regulations

Zoning regulations, enacted by county governments, dictate where and what kind of housing can be built. Zoning regulations often restrict the availability and affordability of housing by limiting the density, height, and design of residential buildings, imposing minimum parking requirements, and prohibiting certain housing types. Zoning regulations also create inflexibility in land use, preventing the adaptation of underutilized areas, such as agricultural, industrial, or commercial lands, for residential purposes.

This Report recommends reforming zoning regulations to allow for more flexible and adaptive land use, such as allowing for mixed-use development, reducing minimum lot sizes and parking requirements, and permitting a variety of housing types, such as apartments, townhouses, duplexes, and accessory dwelling units. These reforms would increase the supply and diversity of housing options, reduce development costs, and promote more efficient and sustainable land use.

The passage of two acts in the 2024 session allows for such flexibility and adaptive land use: Act 37 requires the counties to allow multifamily residential development in all commercially zoned areas and reduces the barriers to repurpose existing commercial buildings for residential use. The impact will be noticeable in business districts struggling with higher commercial real estate vacancy rates, such as downtown Chinatown.

Act 39 legalizes two accessory dwelling units per residential lot subject to certain restrictions and streamlines residential subdivisions within the urban state land use district, among other things. This maximizes the efficient use of the State's limited lands that are suitable for residential development and will allow more families, especially kupuna, to live on the same lot.

C. Time-Consuming Permitting Process

The permitting process, which involves obtaining the necessary approvals from various State and county agencies, is often time-consuming due to the understaffing of resource-constrained agencies, the complexity and multiplicity of requirements, the sequential and contingent nature of reviews, the need for public hearings and environmental documentation, and the potential for legal challenges. Reviews by specific agencies, such as SHPD, can delay the permitting process and the need to obtain discretionary permit approvals (e.g. Special Management Area Use permits) before ministerial approvals such as building permits can be applied for extends the process. The permitting process—which can take five to seven years from blueprint to bulldozer—can cause significant delays and uncertainty for housing projects, increasing carrying costs and capital market risks, and deterring investment in affordable housing.

The building permitting process is of particular concern. In fiscal year 2023, the City and County of Honolulu (City) received close to 20,000 permit applications but issued fewer than 15,000. Each permit issued represented an average of more than $220,000 in taxable construction work and over $1,400 in building permit fees, according to a Civil Beat review of county permitting statistics. The City's new instant online permit is not for new construction projects, though it's a step in the right direction.

This Report recommends streamlining the permitting process by increasing the resources and capacity of permitting agencies, simplifying and standardizing the requirements and procedures, coordinating and consolidating the reviews and approvals, expediting the public hearings and environmental assessments, and limiting the grounds and scope for legal appeals. HHFDC has drafted legislation for the 2025 legislative session that proposes efficiencies to the SHPD review process. As most of the permitting process occurs at the county level, the counties themselves are critical for creating and implementing such policies.

D. Community Opposition

Community opposition, often referred to as NIMBYism (derived from the acronym for “Not in My Back Yard”), is a common barrier to housing development in Hawaii. Though there may be instances where legitimate concerns may arise and need to be addressed, there are many where there are not. Residents and activists may resist changes in their neighborhoods, particularly when it comes to rezoning or approving new housing projects, due to concerns about increased traffic, congestion, noise, pollution, changes in neighborhood character, strain on local facilities, and potential decreases in property values. Community opposition can adversely impact housing projects by delaying project approvals, increasing development costs, reducing project viability, and deterring investment in affordable housing.

This Report recommends addressing community opposition through a multifaceted approach that includes educating the public about the benefits of affordable housing and Transit-Oriented Development (TOD), engaging stakeholders in the planning and design processes, providing incentives for community support, such as infrastructure improvements or public amenities, and ensuring strong policy support from government officials and agencies.

The YIMBY (Yes in My Backyard) movement started as a pushback to NIMBYism and is gaining traction worldwide in response to the combination of worsening housing shortage, increasing population, and rising housing costs.

Since 2022, HHFDC has co-chaired the Act 305 YIMBY working group on affordable housing with the Hawaii Public Housing Authority (HPHA). The group’s objectives are: 1) Foster increased inter-agency coordination on housing and zoning issues; 2) Raise public awareness of the ongoing efforts by the State and counties to reduce barriers to affordable housing development; and 3) Propose legislation.

For more information about the discussions that took place, interested readers may peruse the YIMBY Reports to the Legislature at HHFDC's website https://dbedt.hawaii.gov/hhfdc/resources/reports/

E. Challenges of Private Land Aggregation

Land aggregation, or the process of assembling multiple parcels of land for development, is a critical challenge for infill development, which utilizes underused urban spaces for housing. Land aggregation is difficult due to the complexity and cost of negotiating and acquiring agreements from multiple private landowners, who may have different interests and valuations for their property. The State's limited power to condemn private lands for public use, or eminent domain, restricts the ability of the State to intervene in the land aggregation process to facilitate affordable housing projects. Condemnation is a controversial and sparingly used tool that requires the State to justify the public necessity and benefit of the proposed development and to compensate the landowners at fair market value.

This Report recommends facilitating land aggregation by expanding the State's power to condemn private lands for public use, particularly for TOD projects that have clear public benefits, such as increasing housing supply and affordability, reducing traffic congestion and greenhouse gas emissions, and enhancing access to jobs, services, and amenities.

F. Inability to Free Up State-Owned Land for Housing

State-owned lands, which comprise about 50% of the total land area in Hawaii, offer a valuable opportunity for affordable housing development. Sometimes, one state agency owns land that another could potentially develop housing on. Selling State-owned land in fee can provide home-ownership opportunities for Hawaii residents. However, selling State-owned lands requires the consent of two-thirds of the Hawaii State Legislature, which adds a significant hurdle to the process of converting State lands for residential or commercial use. Obtaining two-thirds approval can be politically challenging, as legislators may have differing priorities or face opposition from constituents concerned about land use and development impacts. Legal complexities and the need to justify the sale for public benefit further complicate the approval process. These barriers contribute to delayed timelines, increased costs, and reduced affordability of housing units developed on State lands.

This Report recommends removing or easing the requirement that the Legislature approve any sale of State-owned lands and increasing the availability of State lands for affordable housing development, particularly near transit centers.

Relatedly, there is the overall challenge of increasing the availability of non-ceded State lands for affordable housing development, particularly near transit centers. A majority of the State land is owned by the Department of Education, Department of Transportation, University of Hawaii, and others.

Prerequisite 2: Sufficient Infrastructure

Public infrastructure, such as wastewater, water, drainage, electrical, and transportation systems, is essential for supporting residential development and ensuring quality of life for residents. However, the provision of infrastructure for housing is constrained by various systemic barriers, such as limited government funding and capacity, coordination and cost-sharing challenges, and regulatory requirements. These barriers limit the infrastructure capacity and quality, increase development costs and risks, and create uncertainty and delays for developers. To address these barriers, this Plan proposes the following policy changes targeting:

A. Limited Funding

Government agencies, at both the state and county levels, are responsible for developing and maintaining infrastructure systems. However, these agencies face budget and staff constraints that limit their ability to fund and implement infrastructure projects. In addition, competing priorities for public funding, such as education and healthcare, may reduce available resources for infrastructure development. This limited government support leaves developers to shoulder the financial burden of building the necessary infrastructure to accommodate housing developments, increasing development costs and reducing affordability.

This Report recommends increasing government funding and capacity for infrastructure development and maintenance, particularly for projects that support affordable housing and TOD. This would require allocating more public funds for infrastructure projects, increasing the staffing and resources of infrastructure agencies, and prioritizing infrastructure projects that have clear public benefits.

B. Government Initiatives for Financing

Infrastructure development costs are high in Hawaii due to the high cost of construction materials, labor, and equipment; the need to comply with environmental and safety regulations; and the complexity and multiplicity of infrastructure systems. These high costs make it challenging to build affordable housing within a constrained budget. Developers often need to adjust project designs, seek cost-saving alternatives, or secure subsidies and financial incentives to offset higher expenses.

This Report recommends reducing infrastructure development costs by exploring alternative financing strategies, such as tax incentives, impact fees, and bond financing. Tax incentives, such as tax credits or exemptions, can reduce the tax liability of developers or investors who participate in infrastructure projects. Impact fees, which are charges levied on new development to pay for the infrastructure needed to serve it, can generate revenue for infrastructure agencies and create a nexus between development and infrastructure provision. Bond financing, which involves issuing debt instruments to raise capital for infrastructure projects, can leverage public funds and attract private investment. These financing strategies may require legislative support and stakeholder collaboration to be implemented effectively.

This past session, HHFDC strongly supported Act 30, which clarifies the counties' authority to use the General Excise Tax (GET) surcharge for county-appropriated housing infrastructure costs. The ability to monetize the GET surcharge through the issuance of bonds can potentially increase the construction of housing infrastructure.

C. Equitable Cost-Sharing

Off-site infrastructure development, which involves building or upgrading infrastructure systems outside the boundaries of a housing project, such as sewers, roads, or water lines, adds to the overall cost of housing development. These costs often make affordable housing projects financially infeasible or are often passed on to homebuyers or renters, making housing less affordable for low- and moderate-income households. The coordination and cost-sharing of off-site infrastructure development among multiple parties is difficult, as each party may have different interests, responsibilities, and capacities.

This Report recommends improving the coordination and cost-sharing of off-site infrastructure development among multiple parties, such as developers, infrastructure agencies, and utility companies, by establishing clear and consistent guidelines, creating mechanisms for communication and collaboration, and providing incentives for cooperation and participation.

D. Onerous Regulatory Requirements

Developers must comply with various regulatory requirements related to infrastructure standards and environmental impacts, such as the Commission on Water Resource Management, Department of Health, Department of Transportation, and State Historic Preservation Division (SHPD). These requirements are intended to ensure the quality and safety of infrastructure systems and minimizing the adverse effects of development on the natural and cultural environment. However, these requirements also add complexity and costs to project planning and implementation, affecting affordability considerations.

For instance, the SHPD review process can add years to the approval process. SHPD's review pertains to the potential effects on historic properties; the majority are for state or county permits. Per HRS Chapter 6E, the broad definition of historic property subjects "any building, structure, object, district, area, or site which is 50 years and older," regardless of historical significance. As most construction occurred in the mid-1960s following the State's admission in 1959, and SHPD lacks staff and funding to keep up with the reviews, bottlenecks are common. SHPD typically reviews between 2,400 and 2,700 permits a year.

This Report recommends simplifying and standardizing the regulatory requirements related to infrastructure standards and environmental impacts by harmonizing the rules and procedures across different agencies, reducing unnecessary or outdated requirements, and streamlining the review and approval process. HHFDC has drafted legislation for the 2025 legislative session to create a separate Historic Preservation Program review process for affordable housing projects.

Prerequisite 3: Availability of Financing

Securing favorable financing is a critical challenge for affordable housing developers in Hawaii, where unique logistical and supply chain challenges result in even higher construction costs compared to the rest of the country, and limited access to capital poses significant systemic barriers. Developers of affordable housing often struggle to secure financing from traditional lenders, such as banks and mortgage institutions, as these projects are seen as risky investments due to lower profit margins, restricted income structures, and regulatory uncertainties. This perception can result in stricter lending criteria, higher interest rates, or outright loan denials for developers.

Additionally, in the wake of the COVID pandemic and the Maui wildfires disaster, construction and insurance costs have soared, and the cost of capital has gone up significantly. The funding programs at HHFDC are critical to the feasibility and successful underwriting of affordable housing projects. The State must find ways to preserve and enhance these programs so the mission of preserving and supplying more affordable units can continue. This Report proposes the following policy changes targeting:

A. Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit (LIHTC) is a federal program that incentivizes private investment in affordable housing by providing developers with a ten-year, dollar-for-dollar reduction in federal tax liability. By selling these credits to investors, developers raise equity for the project, reducing the need for debt and making it easier to meet affordability targets.

Combining LIHTC with low-interest gap financing from a program like the Rental Housing Revolving Fund (RHRF) can make a significant difference. While LIHTC equity covers a portion of development costs, there is often a financing gap that remains between total project costs and the available funds. RHRF provides low-interest loans to cover this gap, further reducing the need for high-cost debt. This combination lowers overall financing costs, improves cash flow, and allows developers to keep rents affordable while making the project financially feasible. Without this blend of LIHTC equity and RHRF gap financing, many affordable housing projects would not "pencil," meaning they wouldn't generate sufficient returns to justify development.

This Report recommends support for federal legislation that increases the State's volume ceiling for the 9% LIHTC and a corresponding increase in the State's Private Activity Bond (PAB) cap for the 4% LIHTC. By doing this, developers will be able to leverage additional equity and financing.

This Report also recommends federal legislation that increases the LIHTC ceiling and a corresponding increase in the State's Private Activity Bond (PAB) cap. By expanding these key financing tools, we can significantly enhance the availability of resources needed to support the development and preservation of affordable housing. This approach will empower developers to leverage additional equity and financing, ultimately helping to meet our communities' critical housing needs.

HHFDC also aims to increase the efficiency of the application and allocation process by prioritizing projects that maximize the efficient use of our limited resources and readiness to proceed.

B. Bond Cap

PABs provide low-interest financing to developers for the construction, rehabilitation, or acquisition of affordable rental housing in Hawaii by leveraging the tax-exempt status of the bonds to offer favorable loan terms, which reduce the financing costs for developers. Unfortunately, PABs have had limited impact and effectiveness due to their short supply coupled with a high demand for LIHTC.

This Report recommends supporting federal legislation, such as the Affordable Housing Credit Improvement Act of 2023 (H.R. 3238 / S. 1557), which aims to expand and enhance the effectiveness of the LIHTC program. This bill does this in two ways: One provision lowers the threshold from 50% to 25% for affordable housing projects that need to finance a portion of their costs with tax-exempt PABs to qualify for 4% LIHTC. This reduction would free up more bond capacity and allow more projects to access LIHTCs without relying so heavily on PABs. Having less permanent debt would enable PABfinanced properties to serve lower-income households. Another provision increases the annual allocation of 9% LIHTCs by 50% over two years. This expansion would provide states with more resources to allocate tax credits, thereby increasing the financing available to developers of affordable housing.

Locally, there have been recent efforts to expand and enhance the effectiveness of the State's PAB cap. In the 2023 session, Act 262 made various amendments to ensure fairness and equity in the allocation of the limited PAB cap, which benefits counties that do not have their own PAB issuance programs.

This past session, HHFDC strongly supported the passage of Act 35, which authorizes HHFDC and the counties to establish a PAB volume cap recycling program. The program will allow HHFDC to reuse tax-exempt bond authority from repaid or unused bonds to finance additional affordable housing projects. This extends the benefit of the original bond cap, helping to fund more projects by maximizing the use of limited resources, and making it easier to build or preserve affordable housing with lower interest rates.

C. RHRF and DURF

The Rental Housing Revolving Fund (RHRF) and the Dwelling Unit Revolving Fund (DURF) are State revolving funds that provide loans for the development, pre-development, construction, acquisition, preservation, and rehabilitation of affordable rental and for-sale housing. Both funds need substantial, recurring funding to support the development and preservation of affordable housing.

Besides increasing the funding for RHRF and DURF, this Report recommends increasing the capacity of both by creating new financing programs focused on diversifying the use of the funds and increasing the pace at which funds revolve. This will limit their reliance on continuous infusions from the Legislature and maximize the efficient use of monies in a tight economic environment.

For example, in the 2022 session. Act 236, among other things, appropriated funds to finance rental housing for "Tier II," for persons with incomes between 60% and 100% of the area median income (AMI), otherwise known as the "missing middle." Historically, housing for this group has not been feasible without public subsidy. This infusion helps to slow the outmigration of our workforce, young professionals, and tax base.

Following those efforts, HHFDC has drafted legislation for the 2025 legislative session that will establish a separate subaccount under RHRF for Tier II loans. The ability to fund Tier II projects in any given year will result in quicker funding for these projects and the development of housing. Tier II loans are more self-sustaining and able to revolve quicker due to higher rental revenues and fewer subsidies needed.

There was also the PAB volume cap recycling program, mentioned previously.

HHFDC is grateful for the legislative support it receives each legislative session and continues to explore opportunities such as these to use appropriations more efficiently. HHFDC prioritizes "shovel-ready" projects that make the most efficient use of the limited financial resources.

D. For-Sale Housing Initiatives

There is limited financing available to developers of affordable for-sale housing projects. Coupled with high interest rates, developers are required to lower their sales prices while having to pay higher interest costs. When rates were above 6.5%, developers reported their projects did not pencil out, even at 140% of the AMI.

This Report recommends expanding financing options for affordable for-sale housing projects so that Hawaii residents have more housing options to choose from. HHFDC has begun to direct more focus on helping more local residents purchase their homes.

Act 92, SLH 2023, authorized HHFDC to establish a DURF Equity Pilot Program to buy down the cost of housing for Hawaii residents. Administrative rules to implement the program became effective in January 2024. Units in two projects have participated in the program so far: Kuilei Place and The Flats at Sky Ala Moana. HHFDC has drafted legislation for the 2025 session to refine the program and make it permanent so it can help more eligible buyers. Also, additional legislative changes would allow eligible housing developers to repay part or all of a DURF interim loan for certain for-sale housing development projects in the form of equity in project units under the program.

Lastly, HHFDC is working to restart the programs for the Hula Mae Single Family and Downpayment Loan to increase assistance to homebuyers. Thus far, HHFDC is updating the 25-year-old administrative rules for both and hopes to receive the Governor's approval by the end of the year.

HHFDC will continue to work with its stakeholders and elected officials to explore other opportunities to expand financing options for affordable for-sale housing projects.

Conclusion

There are systemic barriers that impede the production of affordable housing development in Hawaii, and addressing these barriers will require a comprehensive and coordinated approach that integrates regulatory reforms, infrastructure investments, and enhanced financing mechanisms. The Report suggests streamlining the regulatory and entitlement process for land reclassification, permitting, public infrastructure, and environmental impacts, providing subsidies and incentives, such as tax credits, exemptions, abatements, or waivers, to reduce the tax liability and development fees of developers, and supporting innovative and cost-effective design and construction methods, such as modular, prefabricated, or container housing to lower construction costs and time, thereby boosting housing supply for Hawaii residents.

Overcoming these systemic barriers is essential to ensuring equitable access to affordable housing and fostering sustainable community development across the state. By advocating for and implementing the policy changes proposed in this Report, Hawaii's housing agencies can enhance their capacity to satisfy the housing needs of its residents.

The policy recommendations proposed in this Report are intended to provide a roadmap for addressing the systemic barriers to affordable housing production in Hawaii and incorporating TOD as a key strategy to increase housing supply and affordability near public transit centers. (For more information about TOD, please see the Appendix.) However, these policy recommendations are not sufficient by themselves to solve the housing crisis in Hawaii.

HHFDC is responsible for the financing and development of affordable housing in the state of Hawaii but, as a singular housing agency, cannot alone produce the total number of units needed to satisfy the housing demand of the state. To address the affordable housing crisis, it will take a collaborative effort involving other State housing agencies, including the Hawaii Public Housing Authority, Department of Hawaiian Home Lands, Hawaii Community Development Authority, as well as individual county agencies. Indeed, the Governor's Housing EP called for all state and county agencies to cooperate and forge paths forward to speed up processes that impede the creation of housing across the state. HHFDC supports the Legislature's and Governor's efforts to respond to the housing crisis.

HHFDC will continue with its mission to advance housing opportunities for the residents of Hawaii.

Appendix

How Transit-Oriented Development Can Promote Housing

TOD is a key strategy to increase housing supply and affordability near public transit centers. This approach promotes compact, mixed-use, and walkable development within a half-mile radius of transit centers, creating livable communities that reduce dependence on automobiles and enhance access to jobs, services, and amenities. TOD can address many of the systemic barriers discussed in this Plan, such as increasing the supply and diversity of land for housing, reducing the infrastructure development costs and impacts, and securing favorable financing conditions and incentives. TOD can also provide multiple benefits for residents, such as improving mobility and connectivity, reducing transportation costs and emissions, increasing health and well-being, and creating economic and social opportunities.

The Legislature passed Act 45, which expands the counties' powers to allow for the issuance of bonds for mixed-use projects that are expected to include substantial housing components. It is intended to facilitate development along the Honolulu Rail Transit Project (Skyline) system and at Neighbor Island County transit centers.

TOD offers an opportunity to increase housing supply and affordability in Hawaii, especially in Honolulu where Skyline is under construction. Skyline is an elevated rail line that will connect West Oahu with Kakaako and will provide fast, reliable, and convenient public transportation for residents and visitors, reducing traffic congestion and greenhouse gas emissions, and creating economic and social opportunities. Skyline will also create opportunities for TOD, which can enhance the benefits of the rail system and address the housing shortage and affordability issues in Honolulu. The following data points illustrate the TOD opportunities in Honolulu:

1. According to Skyline, the rail line will serve an estimated 121,000 daily weekday riders, providing them with access to jobs, education, health care, and recreation along the corridor. The rail line will also reduce the number of vehicle miles traveled by 429,000 per day, saving time and money for commuters and reducing fuel consumption and emissions.

2. According to the *State of Hawaii Strategic Plan for Transit-Oriented Development* (TOD Plan) prepared by the Office of Planning and HHFDC, there are approximately 4,100 acres of land within a half-mile radius of the 21 rail stations, of which about 1,500 acres are suitable for redevelopment. The TOD Plan estimates that these areas can accommodate up to 69,000 new housing units and 90,000 new jobs by 2035, with a mix of housing types and affordability levels. The TOD Plan also identifies TOD priority areas based on their development potential, market readiness, and community support.

3. According to the *Affordable Housing and TOD Study* prepared by SMS Research and Marketing Services, Inc., there is a strong demand and preference for TOD among Honolulu residents, especially among renters, low-income households, young adults, and seniors. The study surveyed 1,507 Honolulu residents and found that 60% of them would like to live near the rail line, 67% of them would use the rail line at least once a week, and 77% of them support affordable housing development near the rail line. The study also found that the most important factors for choosing a TOD home are affordability, proximity to rail stations, and neighborhood safety. See below for more details about this study.

The *Affordable Housing and TOD Study* is a comprehensive study that examines the demand and preference for affordable housing and TOD among Honolulu residents, analyzes the market and financial feasibility of affordable housing and TOD projects, and identifies the barriers and opportunities for affordable housing and TOD development. The study was commissioned by HHFDC and CCH, in collaboration with the Hawaii Community Development Authority and Office of Hawaiian Affairs, to provide data and insights to inform policy and planning decisions for affordable housing and TOD in Honolulu. The study was completed in 2017 and used a variety of methods, such as surveys, interviews, focus groups, case studies, and financial modeling, to collect and analyze data from various sources and stakeholders.

The study provides several policy implications and recommendations for affordable housing and TOD projects, such as:

1. There is a strong demand and preference for affordable housing and TOD among Honolulu residents, especially among renters, low-income households, young adults, and seniors. These groups are more likely to use the rail system, support affordable housing development near the rail stations, and choose to live near the rail line. These groups are also more likely to face housing cost burdens and affordability challenges, indicating a need for more affordable housing options near the rail stations.

2. The market and financial feasibility of affordable housing and TOD projects depend on various factors, such as land availability and cost, development density and type, infrastructure capacity and cost, financing sources and terms, and government policies and incentives. These factors affect the supply and demand, the revenue and expense, and the risk and return of affordable housing and TOD projects, influencing the decisions and behaviors of developers, lenders, investors, and consumers.

3. The barriers and opportunities for affordable housing and TOD development are related to the systemic barriers discussed in this Report, such as the State Land Use Law, zoning regulations, community opposition, permitting process, land aggregation, infrastructure development, and financing conditions. The Report identifies several strategies to address these barriers and create opportunities for affordable housing and TOD development, such as streamlining the regulatory and entitlement process, providing subsidies and incentives, increasing public funding and financing, and engaging and educating the public and stakeholders.