

Honolulu

City Council Loosens Ohana Unit Rules to Boost Rental Housing Stock

Honolulu Mayor Kirk Caldwell is expected to unveil his final housing strategy this month after a year of analysis.

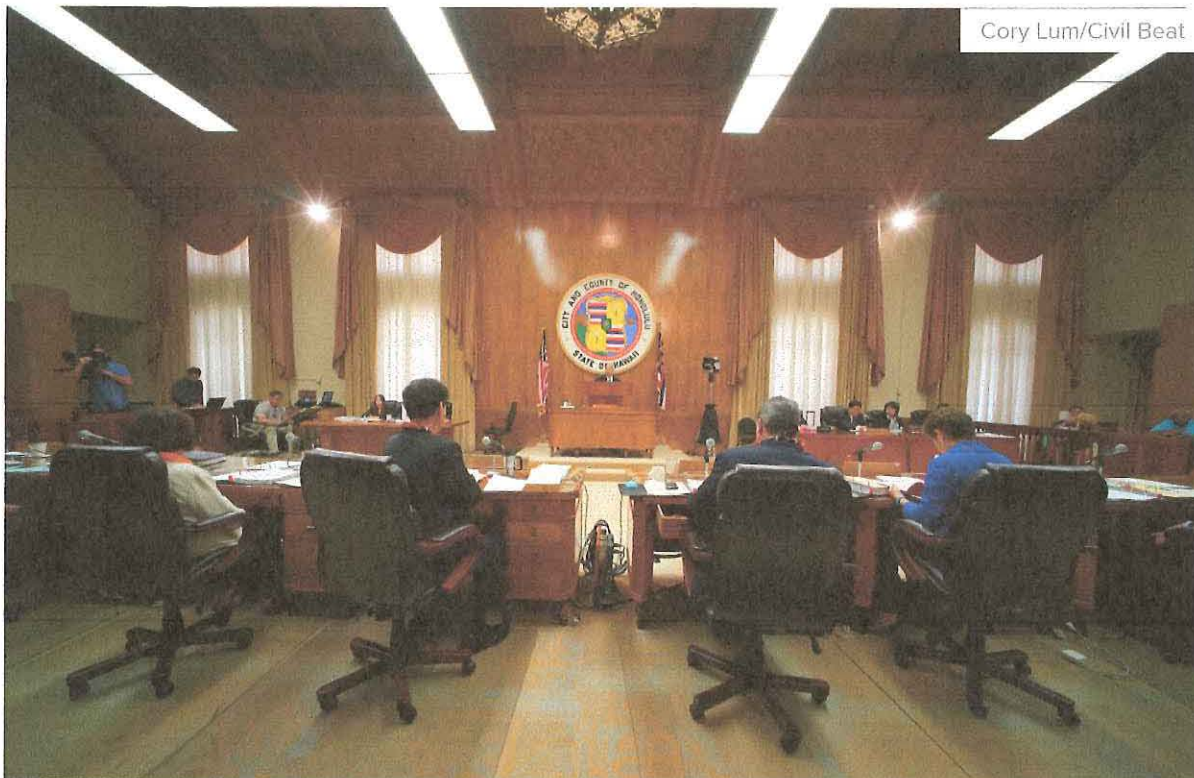
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By Anita Hofschneider    / September 2, 2015

The Honolulu City Council approved a bill Wednesday that allows certain homeowners to build and rent an extra unit on their property, an effort to boost the city's supply of rental housing.

The measure loosens the rules on existing rental units — known as “ohana units” because they can only be leased to family members — and creates a new designation called accessory dwelling units.

The passage of [Bill 20](#), which now goes to Mayor Kirk Caldwell's desk for his signature, is the first major shift in the city's housing policy since the mayor released his draft [islandwide housing strategy](#) last year.



Honolulu City Council members voted Wednesday to allow property owners to rent additional dwellings on their property to non-family members.

The Caldwell administration is expected to release the final version of the strategy this month, and the proposal is expected to seek to require developers who are building 10 or more units to set aside a certain percentage as affordable or pay the city a fee.

Imposing such a requirement at the building permit level would be a drastic departure from the existing city housing rules that only affect developers seeking zone changes.

Meanwhile, the [Hawaii Community Development Authority](#) met Wednesday to discuss changes to its affordable housing requirements for new developments in the Kakaako.

The state redevelopment agency was highly criticized last year for approving several luxury developments and providing relatively few low-income units.

The agency's new Kakaako board, which took over in April, has made affordable housing a top priority, according to board chairman and former

city planning director John Whalen. But he said the rule changes need more vetting and analysis and probably won't be complete for another year.

The changes in Hawaii's housing policy come as the state faces a major shortage of homes that's driven up home prices and forced many into homelessness. In Honolulu, the gap between supply and demand is particularly large for low-income rental housing.

Jenny Lee, an attorney at the [Hawaii Appleseed Center for Law and Economic Justice](#) who has been advocating for accessory dwelling units for the past year and a half, said Bill 20 is expected to help address that need while also providing some revenue for property owners.

She said she was surprised and gratified by the support from many community organizations who recognized the urgent need for housing.

"It's becoming very clear to residents that we're going to have to do something for affordable housing in our communities," she said.

City Housing Rules Expected Soon

Bill 20 includes several aspects that seek to ensure the new units don't stress neighborhood infrastructure or become illegal vacation rentals. Accessory dwelling units can only be built on lots bigger than 3,500 square feet, and can't be larger than 800 square feet.

They can only be built if there's adequate city infrastructure, and each unit must have an off-street parking space unless it's within half a mile from a planned rail station.

In addition, each lessee must sign a rental agreement for six months or longer. The bill also notes that if a unit is advertised as an illegal vacation rental, it's up to the owner to prove that the unit isn't being used as such.

Bill 20 underwent months of debate and revisions before the City Council unanimously approved it Wednesday.

Councilman Ron Menor, who has been a strong advocate for the bill for the past year, said he has heard from housing advocates that the bill represents one of the most significant pieces of housing legislation that the Council has passed in recent years.

“I believe the passage and development of this bill demonstrates the positive results we can achieve when there is collaboration between the administration and the City Council,” he said.



Honolulu City Council Member Ron Menor

That collaboration may be put to the test after Caldwell rolls out his finalized housing strategy this month.

The biggest change that the mayor is expected to propose is the requirement that all large developments set aside a certain percentage of units for specific income groups, a strategy known as “inclusionary zoning.”

Harrison Rue, who manages development around the city's planned rail line, said the finalized housing policy will continue to emphasize rental housing for people earning 80 percent of area median income or below. Last year, that was \$76,650 for a family of four or less.

Caldwell's [draft housing strategy](#) suggested requiring developers to ensure that 15 percent of their rental units were affordable to people earning up to 80 percent of area median income or 30 percent of their for-sale units were affordable to people earning up to 120 percent of area median income, or \$114,980 for a family of four.

Under the draft plan, developers also had the option of building 20 percent of their rental units off site as long as they were affordable to people earning no more than 80 percent of area median income. Developers could also choose to pay the city an in-lieu fee.

Rue said that based on analysis of pro formas and development economics, the city has adjusted downward the percentage of units that developers would have to set aside for specific income groups. He said he couldn't yet reveal exactly what those percentages are, nor the amount of the fee or how it is calculated.

Another major aspect of the plan is lengthening the amount of time rental housing would need to be affordable. Rue said that the city will likely require rental housing to remain affordable for at least 30 years. If public land or money is involved, the rental units would need to remain affordable for at least 60 years.

The city is still in the process of finalizing the strategy and meeting with stakeholders, and plans to roll out the proposal in the next two to four weeks.

New Kakaako Housing Rules A Long Way Off

The Caldwell administration's housing strategy may also influence how the state reconfigures affordable housing rules in Kakaako. The state redevelopment district in Honolulu's urban core has been the site of an influx of new condos, but many people have criticized the high prices which are out of reach for many local families.

Last November, the HCDA [presented the results of an investigative report](#) on the agency's housing rules that urged the agency to provide cheaper housing and more rental units.

Nearly a year later, the board — which changed its membership entirely in April — is still discussing the rule changes. During a meeting Wednesday, planning and development director Deepak Neupane presented a progress report on proposed rule changes, which range from ensuring that developers provide rental units to requiring commercial or hotel developments to provide affordable housing.

"I'm glad the Howard Hughes and Kamehameha Schools representatives aren't here, I don't think they'll necessarily like this," Neupane said when discussing whether the new rules could legally apply to master plan permits that the agency has already approved.

Neupane said it could be another year before the rules changes are finalized and adopted.



The Hawaii Community Development Authority board discusses new affordable housing rules for Kakaako.

Whalen, who leads the agency's Kakaako board, told Civil Beat after the meeting that there isn't a huge need to rush the rule changes because there aren't any development permits coming up in the next year that would be affected by the revised rules.

Instead, he thinks it's more important to fast-track rental projects that are already in the pipeline that would create micro units and rental housing for artists. Whalen also thinks that the agency could negotiate with the developer regarding the number of affordable housing units if an application is received.

Whalen said that the development authority will be looking to Caldwell's new housing strategy in part because he doesn't want developers crossing over from one jurisdiction to another to get a better deal.

He also thinks it's important to have consistency and minimize confusion.

"We're all part of the City and County of Honolulu," he said.