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IN REPLY PLEASE REFER TO:

21:OED-12

December 30, 2021

Affordable Housing Committee  
Office of Council Services  
Maui County  
200 S. High Street  
Wailuku, Hawaii 96793

OFFICE OF THE  
COUNTY COUNCIL

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Re: Committee Item AH-14(5)  
A Bill for an Ordinance Amending Section 2.96.040, Maui County Code, Relating to  
Income Group Distribution for Residential Workforce Housing Units

The Hawaii Housing Finance and Development Corporation offers the following comments on  
Committee Item AH-14(5).

- 1. The proposed bill repeals the authority of the Director of the Department of Housing and Human Concerns (DHHC) to grant an exemption from the income distribution requirements set forth in subsection C of section 2.96.040 and shifts the authority to the County Council for providing exemptions.**

This amendment would delay the production of workforce housing by adding several months to the development approval process and increase the uncertainty developers face when proposing affordable housing projects.

The requirement for the County Council to grant an income distribution exemption may have a disparate impact on rental housing projects which are often financed with Low-Income Housing Tax Credits (LIHTC). The LIHTC program generates equity for the development of rental units for households at or below 60% AMI. Without the LIHTC equity, other sources will be needed to make the project feasible to build. (i.e., HOME, funds, Maui County Affordable Housing funds, etc.). Therefore, most LIHTC projects target 100% of the units for households at or below 60% AMI. An administrative exemption may offer a more expedient process which is especially important now considering the current supply chain issues and escalating costs for material and labor that developers are currently experiencing.

2. **The proposed bill adds income distribution requirements for developments that provide 100 percent workforce housing units. The required household income for for-sale and rental housing developments ranges from at or below 50% to 120% of the area median income established by HUD, or as adjusted by DHHC or Hana, Lanai, and Molokai.**

The proposed income distribution for 100% workforce housing development caps affordability at 120% AMI. For homeownership projects, this reduces the developers ability to offer housing units at various price points necessary to subsidize the construction of low income units and achieve project feasibility. If a project is not deemed feasible to build, developers are unlikely to participate in the program.

The proposed requirement to provide 15% of the units to be for-sale to very-low income households and 45% of the units for low income households will require significant subsidies that may range from \$169,535 to \$304,345 per unit. For every 100 units, the county would need to provide approximately \$17,000,000 to \$30,000,000 to help the project financially pencil out.

Additionally, units priced for below-moderate income households and those moderate-income households earning 101 to 110% AMI will also require subsidies that may range from approximately \$34,725 to \$125,570 per unit. The subsidy estimates are based on the following calculation:

The average development cost for a two-bedroom townhome is approximately \$529,000. DHHC's affordable sales prices for two-bedroom units by income group, using a 4% mortgage interest rate, range from \$224,655 to \$539,155. The table below illustrates the resulting per unit subsidy that is needed.

AMI	Dev. Cost	Sales price	Subsidy
50%	\$529,000	\$224,655	\$304,345
60%	529,000	269,620	259,380
70%	529,000	314,500	214,500
80%	529,000	359,465	169,535
90%	529,000	404,430	125,570
100%	529,000	449,310	79,690
110%	529,000	494,275	34,725
120%	\$529,000	\$539,155	N/A

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Thank you for the opportunity to comment on the proposed changes to the Maui County Code 2.96.040 related to housing.

Sincerely,



Denise Iseri-Matsubara  
Executive Director

c: Councilmember Tasha Kama  
Lori Tsuhako, DHHC Director