

HLU Committee

From: Peter Savio <peters@savio.com>
Sent: Thursday, February 27, 2025 8:14 PM
To: HLU Committee
Subject: Maui affordable housing

You don't often get email from peters@savio.com. [Learn why this is important](#)

You raise a lot of good points but will fail because you are solving a symptom but not solving the problem . I apologize as the explanation will be somewhat long but I will keep it as simple and as short as possible

1)What is the connection between affordable housing and the local economy, and how could deed restrictions support this?

ANSWER

this is the foundation of the problem and must be answered correctly . A Realestate economy is local in nature and home are built and sold to people living and working in that market.

This is a local market with no distortion. Basically it tells you prices are tied to wages. So to know what Maui's market is is take average wages for workers and that gives you what the market would be. So for a 3 bedroom two bath home the local price should be \$450,000.

Maui's average price is 1.2 to 1.3 million. So outside demand has distorted market by \$750,000 to \$850,000.

We now know our average price has to be 450,000. To be affordable. We now have a solid foundation and a price affordability we can build our local market around.

How a deed restriction would support this is a premature question as anything done to increase supply or reduce makes the problem worse.

When demand is the problem you do not increase supply as it only increases demand. Maui's 3 homes on one lot ADUs is a good example of the worse thing that can be done when demand is the problem .It only increased land prices by hundreds of thousands of dollars per lot making it more difficult for local buyers and creating more purchase opportunities for off island buyers .

Our housing had gotten so expensive that demand by buyers for property under \$1,000,000 could not find anything affordable. Then Maui allowed ADU's and now they could buy and rent units to subsidies cost of buying housing. They can pay more than local buyers. So we are left behind.

So first thing supply is not the problem

Demand is the problem.

Deed restrictions are part of the solution but need to structure a whole housing solution . Need to stop many programs that sound good but don't accomplish affordability.

Also in a demand driven housing crisis building rental units are also worse thing you can do.

You are using our poor and our government subsidies of rent to creat wealth for the building owner by using our tenants as the funnel through which the wealth flows out of state.

All rental units should be tenant owned .

How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units?

Answer

If deed restrictions are done correctly they are all good and will keep housing affordable forever . If applied correctly and part of a complete housing program will create a local affordable market with price increases tied to wages . Basically a local market with no outside influence distorting market . Buyers in this market must be residents, own no other Realestate, have asset and income restrictions to eliminate retirees and wealthy outsiders.

How do deed restrictions contribute to the preservation of affordable housing options for future generations?

Answer

If done correctly solves the problem and will keep unit affordable forever. Remember prices not tied to open market but tied to wages. That means we are giving up appreciation as compared to an open market but it is actually better for the local buyer.

We have forgotten why we buy Realestate it is not for appreciation but for the content monthly payment .

If you struggled to buy a home in the 60s it cost 25,000 you spent 59,000 in interest and it's worth a million dollars today

If you rented that house you spent more than a million in rent .

But the buyer got to save all his pay raises . If invested the owner could have Easily created additional wealth of over one million dollars and more likely 4 or 5 million for the average person.

We buy Realestate to kick in our biggest cost of living for over 60 years. And after you pay off your loan you have no mortgage payment so can save even more

It is obvious we need to teach people about housing and how it creates wealth . So we can structure a housing solution and buyers know what is expected of them to thrive .

What are the benefits of having a predictable housing market because of longer deed restrictions?

Answer

Knowledge, stability, hope, success, wealth retirement, money for education, start a business, send kids to school, etc everything good .

We can create an economy that will have high paying jobs. Singapore came to Hawaii in 60s because we were so successful at building homes after statehood.

I remember three things that were discussed first a new lease . Old lease not acceptable to mainland lenders and federal government said we needed to standardize and modernize our long term land lease . We did and market boomed . Only one institution kept old lease hawaiian homes. That is why they will always fail . Their lease creates no value .

The other was we passed condo law first and at that time only state that allowed condos . We could build buildings and sell as individuals owners

Last point I remember we built with concrete allowed building on ocean and going high rise .

Singapore copied us . They created wealth through home ownership . Created jobs and economy with high paying jobs

They accomplished Hawaii's dream why Hawaiian lost sight of their goal and crashed and burned .

How can deed restrictions prevent gentrification and the displacement of long-term residents?

In my program deed restrictions is one device used to keep housing affordable forever . Long term residents will be owners . They control.

All deed restrictions in my dream market will be held in trust to the benefit of our people.

Also we can establish zoning that leaves no question

Residential zoning owner occupant only

Apartment zoning owner occupant only

We can do same for investors and vacation rentals

How can deed restrictions ensure that essential workers are able to afford housing near their workplaces?

They don't we insure affordability by tying to wage increases

Wages go up 20% then when you sell price goes up 20%

What is the average length of an affordability deed restriction in the United States?

I don't know and do t care because it has nothing to do with what Hawaii needs to do.
We need a forever solution

How do deed restrictions address the inelasticity of the housing market?

In my model it solves the problem.
What factors should the Council consider when creating a policy to balance affordability and equity in homeownership?

Don't have to the structure has taken care of that. Council needs to approve trust needs to set up market
Should structure so that if I put my 3 million dollar home in with a deed restrictions keeping house value at 459,000. To get buyers to do this price reduction should be a donation and tax deductible. Doing this does t matter to me because I am going to give to my kids9or grand kids.
While alive I can use equity to save income tax and crate wealth while alive.i also pay lower taxes since my house by restriction is worth 450,000 with value increasing over time tied to local wages.
Read my book about balancing property tax to reduce cost to local owners

How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events?
You have rested a local market that will be no difference then present market
Price set at 450,000 but to rebuild insurance might need 600,000

Provide any specific policies the Council should consider
Read the book and set up master trust for new affordable units and buyers who want to purchase existing home into trust

What are some risks when buying a deed-restricted home and how can they be mitigated? What are the risks for buying an unrestricted home?

Answer

It is an advantage to buy deed restricted as I have described .

With no restriction local buyers can't afford to buy so shouldn't be an issue .unrestricted home remains in the international off island market and if done ore toy pays its fair share of taxes and locals pay little to no property taxes. International off island buyers will benefit presently we the local tax payers subsidizes off island buyers

Should properties in different Area Median Income categories have similar or the same deed-restricted time periods?

ANSWER

Restriction is forever all will be the same

Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home?

ANSWER

We are creating a permanent housing solution . It is forever .we are creating and affordable market of 100,000s of units all types and sizes. You can travel through the market buying units as family size changes. But can only own one unit at a time and free to sell any time to qualified local buyer .

Should the length of deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered.

What deed-restriction time periods would you recommend the Council consider?

Answer

One Simone standers program . Easy to understand easy to administer

As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:

a. Do longer deed restrictions and 99-year leases prevent homeowners

from taking out home equity loans?

b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing?

c. Can deed restrictions and 99-year leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home?

Answer

Owners can sell finance at any time with no approvals county has to list increase in wages each year so Burt's can determine the value of their home for that coming year

How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? Of those, how many units are still affordable today?

Answer

In the new program this information is not needed but will just prove what we did was a failure

How can the County address and support each resident's need to afford a home?

Answer

The new trust will have/all kinds of special programs to rent to own , tenant owned buildings .special financing .since'it is standardized and focused easy to determine what works and what doesn't. Will tell us what we need to do .

Supply problem benefits go to wealthy developer I'd demand is the problem all benefits go to the people

Do you have a preferred managed appreciation formula? If so, please explain.

Answer

Already did definition of a local market . Price tied to wages

How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock?

Answer in my model they do not qualify and can not buy
That can buy in the international market

Also all restrictions I am using are used presently so don't believe any one who says it is unconstitutional . It is not unconstitutional it is just different in putting everything we did wrong into a program that will work.

How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity, and housing land trusts?

One house for ever worker and resident.

Mainland buyers agree to restrict appreciation should be allowed in but asset and income restrictions may eliminate them in the beginning

Above solution that will work and will get our people to stay and return to Hawaii

If we create the wealth then we can build a thriving economy with great schools and high paying jobs.
Join the housing revolution be part of the solution

Sorry for the length hope it makes sense
Peter savio

Sent from my iPhone

HLU Committee

From: rphill3636@aol.com
Sent: Tuesday, March 4, 2025 2:30 PM
To: Tasha A. Kama; HLU Committee
Subject: Fw: Invitation to March 10, 2025, Maui County Council Housing and Land Use Committee Meeting

Subject: Re: Invitation to March 10, 2025, Maui County Council Housing and Land Use Committee Meeting

Thank you, James. Nice to hear from you and it's always a pleasure..we're hoping for the very best for All of our citizens, particularly those that need A bit of extra assistance so that they can have a proper roof over their heads.

I truly believe that that is one of the higher calling for any government...

No

Greetings James and Tasha

Once again...thank you both for the opportunity to comment!

I believe that the purpose of providing assistance from the County is to stimulate more housing for families that ordinarily would not be able to afford it in a continuing rising housing market.

From past experience in developing this facet of housing demographics and profile of the buyers are younger blue collar and middle income professionals such as teachers and police officers. These are often starter homes that the original buyers outgrow in a Shorter period of time Than older more mature families.

Assisting this group to originally and initially purchase homes and then eventually move into a higher income level and housing level and then Releasing these homes to be once again used for Their original purpose... I believe this is the honorable intention for the county.

We all know that a starter family's main asset is the home. And to allow them the ability to see some appreciation from their hard work and maintenance of their asset Allows them to be more upwardly mobile.And in that way increase the Economic Benefit to the entire community. This perpetuates The ability of the family to stay in an expensive living area that maui represents.

And of course, on the other side, no quick Short profit should be generated from the idea of work, force, gap or affordable housing.We all of course agree to that point...

So, in essence, workforce, gap, and affordable housing should be a benefit to the individual The family, the county and as such, I have seen from past experience that a period of 10 years To possibly twelve years would be ideal as a Typical deed restriction... Allowing for the specific demographic this type of housing is appealing to.

As an aside in reviewing some of the questions that have been provided... In my Opinion there has been A great deal of data generated that has been collated and collected over the years that would be responsive coming from professional organizations, universities, and related Governmental studies to the questions asked that would provide an excellent database. Further in my opinion this information is of

great validity and should be taken into account initially Before posing these same questions that have been already answered The information Should be readily available with a bit of investigation. My personal opinion is the professional expertise that this information has been generated from should be taken into account.

These questions have been plaguing The county for years when in actuality many of the answers have been provided should the committee decide to Look further into some these outside opinions and documentation..

Thank you for allowing me to comment.

RayPhillips

HLU Committee

From: Lawrence Carnicelli <lawrencecarnicelli@gmail.com>
Sent: Thursday, March 6, 2025 5:41 AM
To: HLU Committee
Cc: Tasha A. Kama
Subject: Re: PLEASE READ attached letter re: HLU-24, Relating to Residential Workforce Housing Deed Restrictions
Attachments: HLU Committee Lawrence Carnicelli Response 3.6.2025.pdf

Aloha HLU Committee Staff and Chair Kama,

Attached is my response to your request for answers to 21 questions regarding deed restrictions.

Thank you,
Lawrence

Lawrence P. Carnicelli, B
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On Feb 28, 2025, at 7:15 PM, HLU Committee <HLU.Committee@mauicounty.us> wrote:

Aloha, Mr. Carnicelli, please refer to the attached letter from the Housing and Land Use Committee Chair, dated February 28, 2025.

Mahalo,
HLU Committee Staff

Lawrence Carnicelli
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1032 S. Kihei Rd. Suite B410
Kihei, HI 96753

March 6, 2025

To: Housing and Land Use Committee Chair Tasha Kama
Cc: HLU Committee, Council Services, HLU Staff

Via Email: hlu.committee@mauicounty.us

SUBJECT: BILL 22 (2024), BILL 12 (2023), AND BILL 74 (2023), RELATING TO RESIDENTIAL WORKFORCE HOUSING DEED RESTRICTIONS (HLU-24)

Aloha Chair Kama,

I am in receipt of your letter dated February 28, 2025 requesting answers to 21 questions in preparation for your upcoming meeting to discuss deed restrictions. Thank you for the opportunity to weigh in and help support our community's need for affordable housing for our local families.

In being a part of the deed restriction conversation for over a decade I understand how divisive (at times), polarizing and entrenched these conversations can become. Therefore, I have used Artificial Intelligence with the newest technology available to answer your questions from an objective unbiased perspective.

While I may not agree with, nor like all of these answers, I found them all to be thoughtful and fair. Additionally, I found these responses bring a new perspective to the Maui affordable housing, inclusionary zoning and deed restriction conversation.

Although the responses are over 60 pages long, I would encourage you and your committee members to read through and glean a new outlook on the conversation. I take no credit for these responses as all I did was send the queries and cut/paste the responses.

I look forward to a rich and enlightening conversation in the HLU Committee.

Mahalo,

Lawrence Carnicelli
Lawrence Carnicelli
Developer & Real Estate Broker

LAWRENCE CARNICELLI, RESPONSES VIA ARTIFICIAL INTELLIGENCE

What is the connection between affordable housing and the local economy, and how could deed restrictions support this?

Connection Between Affordable Housing and the Local Economy

Affordable housing is a cornerstone of a healthy local economy because:

1. **Workforce Stability:** It allows essential workers—teachers, retail staff, healthcare aides—to live near jobs, reducing turnover and ensuring businesses have reliable labor.
2. **Consumer Spending:** When housing costs stay below 30% of income, households have more money for local goods and services, boosting retail and small businesses.
3. **Business Attraction:** Affordable housing draws employers by signaling a stable, diverse labor pool, making a region competitive for investment.
4. **Community Resilience:** It prevents displacement, maintaining tax bases and demand for public services like schools, while avoiding costly social issues like homelessness.

Without it, high housing costs drain spending power, push workers away, and burden public resources, weakening economic vitality.

How Deed Restrictions Could Support This

Deed restrictions, by capping rents or sale prices, could enhance these economic ties:

1. **Securing Workforce Housing:** Long-term restrictions (e.g., 30-99 years) keep units affordable for workers, ensuring labor availability for key industries like healthcare or hospitality.
2. **Increasing Disposable Income:** Affordable units free up household budgets—e.g., paying \$1,200/month vs. \$3,000 saves \$21,600 yearly—fueling local spending on dining, shops, or entertainment.
3. **Curbing Gentrification:** Perpetual restrictions prevent units from flipping to market rate, preserving mixed-income communities that support diverse economic activity.
4. **Leveraging Development:** Paired with inclusionary zoning, restrictions extract affordable units from new projects, expanding access without relying solely on public funds.

Potential Downfalls of Deed Restrictions

However, deed restrictions can also pose challenges:

1. **Reducing Housing Supply:** If restrictions cut developer profits, fewer projects may get built, especially in markets where supply already struggles to keep up with demand.
2. **Temporary Impact:** Short-term restrictions (e.g., 5-10 years) let units revert to market prices, erasing affordability and destabilizing workforce housing over time.
3. **Price Inflation Elsewhere:** Capping some units can shift costs to unrestricted properties, raising prices for middle-income buyers and narrowing economic diversity.
4. **Administrative Complexity:** Enforcing restrictions—verifying incomes, managing resales—requires resources, and delays or red tape can stall projects, slowing economic benefits.
5. **Investment Risks:** Restricted resale values may deter lenders or buyers, chilling construction activity and the jobs it creates.

Balancing Act

Deed restrictions could bolster the economy by anchoring affordability—each preserved unit might add 1-2 jobs, per studies like Upjohn's 2020 analysis—but if too strict or fleeting, they risk shrinking supply or losing traction. Success hinges on longer terms (50+ years), incentives (e.g., tax breaks), and flexible design to avoid stifling development in supply-constrained areas.

How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units?

Impacts on Communities

Positive

- **Long-Term Affordability:** Longer restrictions ensure housing remains accessible to low- and moderate-income households for decades, preserving economic diversity. For example, a family earning 80% of the area median income (AMI) can stay in a neighborhood as market prices soar, avoiding displacement.
- **Community Stability:** Extended affordability reduces turnover, fostering social cohesion—neighbors know each other, schools retain students, and local institutions thrive. This counters gentrification's uprooting effects seen in cities like San Francisco.
- **Equity Building:** Homeowners in perpetually restricted units (e.g., via community land trusts) can build modest equity within capped resale limits, offering wealth-building opportunities without losing affordability for future buyers.

Negative

- **Restricted Mobility:** Long terms lock owners into capped resale prices, limiting their ability to cash out and move up the housing ladder. A family outgrowing a restricted home might feel trapped if market-rate options are unaffordable.
- **Stigma or Segregation:** If restricted units cluster in less desirable areas or differ visibly (e.g., smaller sizes), they might create perceptions of “second-tier” housing, potentially isolating residents socially or economically.
- **Enforcement Burden:** Monitoring compliance over decades strains local agencies, risking lax oversight or disputes (e.g., if heirs challenge restrictions), which can erode community trust.

Impacts on the Local Economy

Positive

- **Workforce Retention:** Affordable housing for 50+ years secures a stable labor pool—essential workers like teachers or service staff can live locally, supporting industries like retail or healthcare. Studies (e.g., Upjohn 2020) suggest each preserved unit adds 1-2 jobs.
- **Consumer Spending:** Households save significantly—e.g., \$1,200/month vs. \$3,000 market rent frees up \$21,600 yearly—boosting local businesses over decades, not just a few years.
- **Tax Base Stability:** Preventing displacement keeps residents paying property taxes and using services, avoiding the economic drain of vacant units or homelessness costs.

Negative

- **Development Deterrence:** Developers may shy away if long restrictions slash profits, reducing total housing starts. In supply-constrained markets, this tightens inventory, indirectly raising costs elsewhere and slowing economic growth tied to construction jobs.
- **Opportunity Cost:** Land tied up in perpetual affordability can't shift to higher-value uses (e.g., commercial), potentially capping local revenue in fast-growing areas needing diverse investment.

Impacts on the Market Economy

Positive

- **Price Moderation:** Long restrictions dampen speculative price spikes by keeping a segment of housing off the open market, stabilizing values for nearby unsubsidized properties over time.
- **Predictability:** Businesses and investors gain confidence in a market with a reliable affordable segment, as labor costs stay manageable without wage pressure from housing inflation.

Negative

- **Market Distortion:** Capping some units' prices can inflate unrestricted housing costs, squeezing middle-income buyers. In high-demand areas, this “cost shifting” (seen in places like Boulder) skews the market toward luxury or extremes.

- **Reduced Liquidity:** With resale values fixed for decades, restricted units trade less freely, shrinking the market's dynamism and potentially deterring investors who fuel broader housing activity.

Impacts on Financing

Positive

- **Public Investment Leverage:** Longer terms maximize returns on subsidies (e.g., tax credits), as affordability lasts beyond short cycles, appealing to governments or nonprofits funding housing.
- **Stable Lending Models:** Some lenders, like those backing community land trusts, adapt to perpetual restrictions with specialized mortgages, ensuring access for qualifying buyers over time.

Negative

- **Lender Hesitancy:** Conventional banks often balk at financing units with capped resale values, fearing lower collateral worth over 50-99 years. This limits mortgage availability, especially for first-time buyers.
- **Higher Costs:** Developers may face steeper financing hurdles if long restrictions reduce project viability, passing costs to buyers or stalling projects unless offset by incentives (e.g., density bonuses).

Impacts on Potential Interest in Buying Housing Units

Positive

- **Affordability Appeal:** Long-term restrictions attract buyers priced out of market-rate homes—e.g., a \$300,000 restricted unit vs. \$800,000 market price draws teachers or young families seeking stability.
- **Social Mission Draw:** Buyers aligned with community goals (e.g., via land trusts) value perpetual affordability, seeing it as a legacy investment beyond profit.

Negative

- **Limited Upside:** Buyers seeking wealth-building shy away, as capped resale prices (e.g., tied to AMI, not market rates) restrict gains over decades. A \$300,000 home might only fetch \$350,000 after 20 years, despite market values doubling.
- **Perception Risks:** Units with 99-year or perpetual restrictions might feel less “owned” due to resale controls, deterring those prioritizing flexibility or traditional ownership benefits.
- **Niche Market:** Long terms shrink the buyer pool to those accepting constraints, slowing sales and potentially leaving units vacant longer between owners.

Broader Implications

- **Positive Balance:** Longer restrictions shine in high-cost, inelastic markets, locking in affordability where supply can't catch demand. They sustain economic engines—workers, spending, stability—for generations.
- **Negative Trade-Offs:** In flexible markets or without incentives, they risk choking supply, skewing prices, and complicating financing, which can ripple into slower growth or buyer disinterest.

Calibration Matters

The sweet spot depends on context: 50-99 years offers durability without perpetuity's rigidity, especially if paired with tax breaks or streamlined permitting to offset developer and lender concerns. Shorter terms (5-30 years) lose ground faster, but overly long ones (forever) might overcorrect, freezing market fluidity.

How do deed restrictions contribute to the preservation of affordable housing options for future generations?

How Deed Restrictions Preserve Affordable Housing for Future Generations

Deed restrictions ensure affordable housing remains available for future generations by imposing legal controls that maintain affordability over extended periods. They counteract market pressures that erode

accessible housing options, securing a legacy for low- and moderate-income households. Here's how they work, with both upsides and downsides:

Mechanisms of Preservation

1. **Price and Rent Caps:** Restrictions limit resale prices or rents to an affordability metric (e.g., 80% of Area Median Income, AMI), keeping units below market rates—say, \$300,000 vs. \$800,000—for decades or forever.
2. **Extended Durations:** Terms of 30, 50, 99 years, or perpetuity stretch affordability across generations. A 99-year restriction from 2025 lasts until 2124; perpetual terms never expire.
3. **Resale Controls:** Units must be sold to income-eligible buyers, often with oversight (e.g., government right of first refusal), preventing conversion to market-rate or investor ownership.
4. **Renewable Terms:** Some models (e.g., community land trusts) reset restrictions with each sale, ensuring perpetual affordability for every future owner.

Contributions to Preservation

1. **Shielding Against Price Escalation:** In markets where prices outpace wages—e.g., U.S. home prices up 54% vs. 20% income growth from 2015-2025—restrictions keep units affordable, so a 2050 family can access what their 2025 parents could.
2. **Blocking Gentrification:** Without restrictions, affordable stock vanishes as neighborhoods upscale (e.g., Austin lost 30% of low-cost rentals in a decade). Restrictions preserve units for future moderate-income residents.
3. **Maintaining Mixed Communities:** Long-term affordability sustains economic diversity, ensuring future generations inherit neighborhoods with varied incomes, not just luxury zones.
4. **Maximizing Initial Investment:** Public funding (e.g., \$10 million for 100 units) yields decades of benefit—50-year terms serve thousands over time, not just initial residents.

Examples

- **Community Land Trusts:** In Burlington, Vermont, a \$150,000 home in 2000 resells for \$200,000 in 2025 (tied to AMI), not \$400,000 market rate, staying affordable for 2050 buyers.
- **Inclusionary Zoning:** Montgomery County, Maryland's 99-year restrictions keep a 2020 unit at \$250,000 viable into 2119, passing savings forward.

Pitfalls and Downsides

While deed restrictions preserve affordability, they come with trade-offs that can undermine their effectiveness or create unintended consequences for future generations:

1. **Expiration of Fixed Terms:**
 - **Downside:** Shorter fixed terms (e.g., 30 years) end before the next generation fully benefits—units revert to market rate, shrinking affordable stock. New York's Mitchell-Lama program saw thousands of units lost as restrictions lapsed.
 - **Impact:** Future households face the same shortage their predecessors fought, negating preservation if renewal mechanisms fail.
2. **Reduced Housing Supply:**
 - **Downside:** Developers may avoid projects if long or perpetual restrictions cut profits, especially in inelastic markets. Fewer total units built mean less housing overall for future generations, affordable or not.
 - **Impact:** Preservation of a few units comes at the cost of broader scarcity, potentially driving up market prices and offsetting gains.
3. **Limited Owner Equity:**
 - **Downside:** Capped resale prices (e.g., \$350,000 after 20 years vs. \$700,000 market rate) restrict wealth-building for owners, which could discourage maintenance or upgrades over time.
 - **Impact:** Future buyers might inherit degraded units if owners lack incentive or funds to invest, reducing quality and appeal of preserved stock.
4. **Market Distortion:**
 - **Downside:** Locking some units out of the market inflates prices for unrestricted housing, squeezing middle-income families who don't qualify for restricted units.

- Impact: Future generations face a bifurcated market—affordable silos for some, unaffordable extremes for others—eroding overall access.
- 5. Administrative Challenges:
 - Downside: Enforcing restrictions over decades (e.g., verifying incomes, managing resales) burdens agencies, risking lax oversight or legal disputes as rules age.
 - Impact: If enforcement falters, future affordability erodes—units could slip through cracks, benefiting speculators instead of intended residents.
- 6. Buyer Disinterest:
 - Downside: Perpetual or long-term restrictions deter buyers seeking flexibility or profit, narrowing the pool to those accepting limited resale upside.
 - Impact: Slower sales or vacancies could leave preserved units underused, failing future generations if they sit empty between owners.
- 7. Economic Trade-Offs:
 - Downside: Tying land to affordable use forever might block higher-value development (e.g., commercial) in growing areas, capping tax revenue or jobs.
 - Impact: Future communities might inherit less economic dynamism, trading housing preservation for stunted growth potential.

Balancing the Equation

- Upside Strength: Longer restrictions (50-99 years or perpetuity) excel at preservation in high-cost, gentrifying areas, ensuring future generations inherit affordable options where market forces would eliminate them. Enforcement and incentives (e.g., tax breaks) amplify this.
- Downside Risks: They falter if they shrink total supply, degrade unit quality, or lose traction through expiration or mismanagement. Poor design—too rigid or unsupported—can preserve less than intended while creating new barriers.

Legacy for the Future

Deed restrictions preserve affordable housing by anchoring costs and access across time, countering escalation and loss. A 99-year term today benefits adults in 2125; perpetuity lasts indefinitely. But pitfalls like supply reduction, equity limits, and enforcement gaps can dilute this legacy, leaving future generations with fewer or lower-quality options if not balanced with growth and flexibility. Their success hinges on long durations, robust oversight, and pairing with policies that boost overall housing stock.

What are the benefits of having a predictable housing market because of longer deed restrictions?

Benefits of a Predictable Housing Market Due to Longer Deed Restrictions

1. Stable Housing Costs for Residents
 - Benefit: By capping rents or resale prices (e.g., tied to 80% of AMI), longer restrictions ensure predictable affordability for qualifying households. A \$300,000 restricted home stays near that price for decades, even as market values climb to \$800,000.
 - Impact: Families can plan budgets long-term without fear of sudden rent hikes or displacement, fostering financial security and reducing economic stress.
2. Reduced Price Volatility
 - Benefit: A segment of housing insulated from market swings dampens overall price escalation. In high-demand areas, this curbs speculative bubbles—e.g., fewer investors bidding up restricted units.
 - Impact: Predictable values help first-time buyers and renters enter the market consistently, while businesses benefit from stable labor costs tied to housing.
3. Workforce and Economic Stability
 - Benefit: Affordable housing locked in for generations ensures workers—teachers, service staff—can live locally without disruption, even as surrounding prices soar.

- Impact: Employers face less wage pressure and turnover, creating a reliable economic base. Studies like Upjohn's 2020 analysis suggest each preserved unit adds 1-2 jobs over time.
- 4. Long-Term Community Planning
 - Benefit: Predictable affordability aids municipal planning—schools, transit, and services can count on a steady population rather than shifting demographics from gentrification.
 - Impact: Local governments allocate resources more efficiently, avoiding reactive spending on homelessness or sprawl driven by unpredictable housing shifts.
- 5. Investor Confidence in Balanced Markets
 - Benefit: A predictable affordable segment signals a balanced market, appealing to businesses and developers who value labor availability over unchecked price spikes.
 - Impact: This can attract steady, long-term investment (e.g., in commercial sectors) rather than boom-bust speculation, smoothing economic cycles.

Detriments of a Predictable Housing Market Due to Longer Deed Restrictions

1. Reduced Market Flexibility
 - Detriment: Locking units into affordability for 50-99 years or forever limits their ability to adapt to changing economic conditions—e.g., a shift from residential to commercial demand.
 - Impact: The market loses dynamism; land tied to housing can't pivot to higher-value uses, potentially stunting growth in fast-evolving regions and capping tax revenue.
2. Suppressed Supply Growth
 - Detriment: Developers may avoid building if long restrictions erode profits, especially in inelastic markets where costs (land, labor) are high. Fewer total units get built as a result.
 - Impact: Predictability in restricted units comes at the cost of overall scarcity, driving up unrestricted prices and undermining affordability for those outside the program.
3. Cost Shifting to Unrestricted Housing
 - Detriment: Capping some units' prices pushes demand and cost increases onto the unrestricted market—e.g., a restricted \$300,000 home vs. an inflated \$900,000 market-rate neighbor.
 - Impact: Middle-income buyers face unpredictable, steeper costs, creating a bifurcated market that's stable for some but volatile for others, eroding broad access.
4. Limited Owner Incentives
 - Detriment: Predictable resale caps (e.g., \$350,000 after 20 years vs. \$700,000 market rate) reduce owners' financial upside, potentially discouraging maintenance or upgrades.
 - Impact: Units may degrade over time, lowering quality and appeal despite cost stability, which could burden future residents with renovation costs in a "predictably" aging stock.
5. Financing and Buyer Challenges
 - Detriment: Lenders hesitate to finance units with capped values over decades, and buyers seeking profit or mobility shy away, shrinking the pool for restricted homes.
 - Impact: Predictability in price doesn't guarantee demand—units might sit vacant longer, disrupting turnover and leaving some housing underutilized despite stable costs.
6. Administrative Rigidity
 - Detriment: Enforcing long-term restrictions (income checks, resale oversight) requires consistent resources, and bureaucratic hiccups can freeze transactions or erode compliance.
 - Impact: The market's predictability hinges on flawless execution; lapses create uncertainty—e.g., if restrictions are bypassed—undermining the intended stability.

Broader Economic and Market Implications

- Benefit in Context: In high-cost, gentrifying areas with inelastic supply, longer restrictions create a predictable lifeline—affordable options remain constant despite external chaos. This anchors labor and spending, key economic drivers.
- Detriment in Context: In flexible or growing markets, excessive predictability stifles responsiveness—housing can't shift with demand, and suppressed supply amplifies shortages, destabilizing the broader market.

Balancing Predictability and Flexibility

- Sweet Spot: Terms like 50-99 years offer substantial predictability without perpetuity's rigidity, preserving affordability while allowing some future adaptation. Incentives (tax breaks, density bonuses) can offset supply risks, maintaining market health.
- Tipping Point: Perpetual restrictions maximize stability but risk over-calcifying the market, especially if enforcement falters or supply shrinks, trading short-term certainty for long-term constraints.

In summary, longer deed restrictions foster a predictable housing market by stabilizing costs, curbing volatility, and securing workforce housing—benefits that support economic resilience and community planning. However, they can suppress flexibility, reduce supply, shift costs elsewhere, and complicate financing or upkeep, potentially creating a market that's stable yet strained or uneven. Their net effect depends on balancing predictability with growth—too much of either tips the scale.

How can deed restrictions prevent gentrification and the displacement of long-term residents?

Deed restrictions can be a double-edged sword. While they can prevent gentrification and displacement by preserving affordability and community character, overly restrictive or poorly designed deed restrictions can also contribute to blight—physical deterioration, economic stagnation, or disinvestment in a neighborhood. Here's how this can happen, integrated with the previous discussion on their role in countering gentrification:

How Deed Restrictions Prevent Gentrification and Displacement

1. Restricting Property Sales to Maintain Affordability
 - Benefit: Caps on resale prices or income-based buyer requirements keep homes affordable, preventing profit-driven flips that fuel gentrification.
 - Example: Limiting sale prices to inflation-adjusted values or area median income (AMI).
2. Preventing Luxury Redevelopment
 - Benefit: Bans on converting homes into luxury condos or commercial spaces preserve the neighborhood's scale and affordability.
 - Example: Mandating single-family use or capping building size.
3. Enforcing Owner-Occupancy Requirements
 - Benefit: Deters speculative buying by absentee landlords or short-term rental investors, keeping housing for residents.
 - Example: Prohibiting leases beyond 6 months or vacation rentals.
4. Preserving Rental Housing Stock
 - Benefit: Caps on rent increases protect tenants from eviction as gentrification drives up costs.
 - Example: Keeping rents at 30% of AMI for 30 years.
5. Limiting Property Tax Escalation
 - Benefit: Modest improvements keep taxable values low, helping long-term residents stay despite rising neighborhood values.
 - Example: Banning luxury additions like pools.

6. Community Land Trust Integration
 - Benefit: Perpetual affordability via land trusts prevents displacement even in gentrifying areas.
 - Example: Limiting resale profits to 25% of appreciation.
 7. Protecting Cultural and Historical Identity
 - Benefit: Preserving historic homes maintains community identity against developer overhauls.
 - Example: Requiring original architectural styles.
-

How Restrictive Deed Restrictions Can Lead to Blight

1. Discouraging Investment and Maintenance
 - Downside: Caps on resale prices or strict limits on improvements can reduce the financial incentive for owners to maintain or upgrade properties. If owners can't recoup investments through higher sale values, they may neglect repairs, leading to physical deterioration.
 - Scenario: A home with a resale cap might fall into disrepair if the owner sees no profit in fixing a leaky roof or crumbling foundation.
2. Stifling Economic Adaptation
 - Downside: Prohibitions on commercial development or multi-family housing can freeze a neighborhood in time, preventing it from adapting to changing economic needs. This can result in vacant properties or underused land if residential demand drops.
 - Scenario: A ban on converting homes to small businesses might leave a street empty if families move out and no new residents can afford or want the restricted homes.
3. Reducing Property Value Growth
 - Downside: By design, restrictions keep property values low to fight gentrification, but this can backfire by making the area less attractive to buyers or lenders. Banks may hesitate to offer mortgages or loans for homes with limited resale potential, starving the area of capital for upkeep.
 - Scenario: A neighborhood with perpetual price caps might see declining interest from buyers, leaving homes unsold and neglected.
4. Creating a Stagnant Housing Market
 - Downside: Owner-occupancy rules or strict affordability criteria can shrink the pool of eligible buyers, leading to prolonged vacancies. Empty homes deteriorate faster and signal decline, deterring further investment.
 - Scenario: If only low-income buyers qualify but few can secure financing, homes sit vacant, inviting vandalism or decay.
5. Overburdening Existing Residents
 - Downside: Restrictions that lock in low property values or rents can trap residents in place without generating enough tax revenue for municipal services (e.g., street repairs, schools). This can degrade infrastructure, exacerbating blight.
 - Scenario: A neighborhood with capped values might lack funds for pothole fixes or park maintenance, making it less livable.
6. Unintended Exclusion of Upward Mobility
 - Downside: While protecting against luxury takeovers, restrictions can prevent modest reinvestment that could lift a neighborhood without displacing residents. This can lock an area into poverty, discouraging middle-income families who might stabilize it.
 - Scenario: A ban on expansions might stop a family from adding a needed bedroom, prompting them to leave rather than invest.
7. Legal and Administrative Decay

- Downside: If restrictions are too complex or poorly enforced (e.g., due to lack of funding or oversight), properties can fall into legal limbo—unsellable or unmaintainable—leading to abandonment.
 - Scenario: A community land trust with unclear succession rules might leave homes tied up in disputes, sitting empty.
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Balancing Act: Examples and Mitigation

- Real-World Tension: In some U.S. cities, like parts of Detroit, overly rigid historic preservation restrictions have preserved facades but left interiors rotting due to lack of investment flexibility. Conversely, in Burlington, Vermont, community land trusts use deed restrictions successfully but pair them with active maintenance support and flexible resale formulas to avoid stagnation.
 - Mitigation Strategies:
 - Allow limited improvements (e.g., energy efficiency upgrades) without voiding affordability clauses.
 - Pair restrictions with subsidies or tax incentives for upkeep.
 - Set expiration dates or review periods (e.g., 20 years) to adapt to changing conditions.
 - Encourage mixed-use flexibility within affordability limits to keep neighborhoods vibrant.
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Conclusion

Deed restrictions can shield long-term residents from gentrification by locking in affordability and curbing speculation, but if too restrictive, they risk tipping a neighborhood into blight by choking investment, adaptability, and market vitality. The key is crafting restrictions with balance—preserving community benefits while allowing enough economic breathing room to prevent decay.

How can deed restrictions ensure that essential workers are able to afford housing near their workplaces?

Deed restrictions can be tailored to ensure essential workers—such as teachers, nurses, firefighters, police officers, and service workers—can afford housing near their workplaces by prioritizing affordability, targeting specific income groups, and aligning housing access with local employment needs. Here's how they can achieve this, building on the previous discussions about gentrification, displacement, and blight:

Mechanisms to Ensure Essential Workers Can Afford Housing

1. Income-Targeted Affordability Restrictions
 - How It Works: Deed restrictions can limit the sale or rental price of a property to a range affordable to households earning 60–120% of the area median income (AMI), a bracket

- that often includes essential workers. This ensures homes remain within their financial reach, even in high-cost areas near workplaces like hospitals, schools, or urban centers.
- Example: A restriction might cap a home's price at 3x the annual salary of a local teacher (e.g., \$150,000 if the salary is \$50,000), adjusted for inflation.
2. Occupational Eligibility Clauses
 - How It Works: Restrictions can prioritize or exclusively reserve properties for essential workers by defining eligibility based on job categories critical to the community. This directly ties housing access to workplace proximity.
 - Example: A deed might stipulate that only verified employees of local schools, hospitals, or public safety agencies can purchase or rent the property for a set period (e.g., 10 years).
 3. Long-Term Affordability Guarantees
 - How It Works: To prevent market pressures from pushing prices beyond essential workers' means, restrictions can lock in affordability for decades or in perpetuity, often through community land trusts (CLTs) or housing cooperatives. This ensures housing remains viable as wages lag behind rising costs.
 - Example: A CLT might lease land to a firefighter at a fixed rate, with a deed restriction capping the home's resale value to preserve affordability for the next essential worker.
 4. Proximity Incentives via Zoning Tie-Ins
 - How It Works: Deed restrictions can be paired with zoning policies that incentivize affordable housing development near key workplaces (e.g., hospitals, transit hubs). Restrictions ensure these units stay affordable for workers employed locally.
 - Example: A city might require new developments near a hospital to include 20% deed-restricted units for healthcare workers, with rents capped at 30% of their average income.
 5. Preventing Speculative Flips
 - How It Works: Restrictions can prohibit short-term resales or limit profit margins on sales, keeping properties out of the hands of investors and available for owner-occupants like essential workers who need to live locally.
 - Example: A deed might require a 5-year minimum occupancy by an essential worker before resale, with profits capped at 25% of appreciation.
 6. Rental Protections for Essential Workers
 - How It Works: For renters, deed restrictions can cap rent increases and prioritize essential workers in tenant selection, ensuring they aren't priced out by market-rate hikes near employment hubs.
 - Example: A multi-family building might have a restriction ensuring 50% of units are rented to municipal employees at no more than 30% of their income for 30 years.
 7. Subsidized Maintenance and Upkeep
 - How It Works: To avoid blight (as discussed earlier), restrictions can be paired with programs that subsidize repairs or upgrades for deed-restricted properties, making them sustainable for essential workers with limited budgets.
 - Example: A city grant could cover roof repairs for a deed-restricted home owned by a nurse, ensuring it remains livable without raising costs.
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Practical Implementation

- Partnerships: Local governments, employers (e.g., hospitals, school districts), and nonprofits can collaborate to impose and enforce these restrictions. For instance, a city might offer tax breaks to developers who include essential worker housing with deed restrictions.
- Community Land Trusts (CLTs): CLTs can acquire properties near workplaces and use deed restrictions to keep them affordable for targeted professions, leasing land at low rates to essential workers.
- Employer Involvement: Large employers (e.g., a hospital) could fund or co-own deed-restricted housing, tying eligibility to their workforce.

- Duration: Restrictions might last 15–99 years or be perpetual, depending on the community's needs and legal framework.
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Addressing Potential Challenges

1. Avoiding Blight (from Previous Discussion):
 - Risk: Overly strict price caps or improvement bans could deter maintenance, leading to deterioration.
 - Solution: Allow modest upgrades (e.g., energy efficiency) and provide maintenance grants to keep homes viable for essential workers without spiking values.
 2. Market Resistance:
 - Risk: Developers or owners might oppose restrictions, fearing reduced profits.
 - Solution: Offer incentives like density bonuses or expedited permits to offset financial concerns, ensuring a supply of restricted units.
 3. Eligibility Verification:
 - Risk: Defining and verifying “essential worker” status can be bureaucratic.
 - Solution: Use clear, broad categories (e.g., public sector employees, healthcare workers) and streamline certification via employers or unions.
 4. Scalability:
 - Risk: Restrictions on a few properties might not meet demand.
 - Solution: Apply them at scale (e.g., entire developments) and pair with broader affordable housing policies.
-

Real-World Examples

- San Francisco, CA: The city has used deed-restricted affordable housing near transit and job centers, targeting teachers and service workers, though supply remains a challenge.
 - Aspen, CO: Deed restrictions in employee housing programs ensure ski resort workers and other essential staff can live locally, with resale prices capped for similar workers.
 - New York City: Some Mitchell-Lama buildings use income and occupation-based restrictions to prioritize municipal workers near urban workplaces.
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Conclusion

Deed restrictions can ensure essential workers afford housing near their workplaces by locking in affordability, targeting their income levels and professions, and preventing market forces from pushing them out. To succeed, they must balance affordability with flexibility to avoid blight, leveraging partnerships and incentives to scale up. This keeps teachers in school districts, nurses near hospitals, and firefighters in their response zones—stabilizing both workforce and community.

How do deed restrictions address the inelasticity of the housing market?

Causes of Inelasticity in the Housing Market

1. Time Lag in Construction
 - Cause: Building new housing takes months or years due to planning, permitting, financing, and construction phases. When demand spikes (e.g., from job growth), supply can't scale fast enough.
 - Impact: Prices soar as buyers or renters compete for limited existing homes.
 2. Finite Land Availability
 - Cause: Urban areas, especially near job centers, have limited developable land due to geography (e.g., mountains, water) or prior development, constraining new supply.
 - Impact: High-demand areas become prohibitively expensive without new units.
 3. Zoning and Regulatory Restrictions
 - Cause: Strict zoning laws (e.g., single-family-only zones), height limits, or lengthy approval processes cap density and slow development, even where demand is high.
 - Impact: Supply remains static while prices climb, pricing out moderate-income households.
 4. High Development Costs
 - Cause: Rising costs of labor, materials, and financing make it unprofitable to build affordable housing, pushing developers toward luxury projects with higher returns.
 - Impact: New supply caters to the wealthy, leaving essential workers underserved.
 5. Speculative Investment
 - Cause: Investors buy properties to hold or flip, anticipating future value increases, reducing available housing for residents and inflating prices beyond local wage growth.
 - Impact: Homes sit vacant or become unaffordable, worsening supply shortages.
 6. Infrastructure Constraints
 - Cause: Lack of roads, utilities, or transit capacity limits where new housing can be built, especially in growing regions.
 - Impact: Development stalls, keeping supply inelastic relative to demand.
 7. Market Uncertainty
 - Cause: Economic volatility or policy shifts (e.g., interest rate hikes) make developers hesitant to start projects, delaying supply responses.
 - Impact: Housing stock stagnates, amplifying price pressures.
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How Deed Restrictions Address Housing Market Inelasticity

1. Preserving Existing Affordable Housing Stock
 - Cause Addressed: Finite land and construction delays mean existing homes are critical; without protection, they're lost to luxury conversions.
 - Solution: Restrictions lock properties into affordability (e.g., capping resale prices or banning redevelopment), maintaining supply for moderate-income residents like essential workers.
 - Example: A deed mandates a home stay affordable at 80% of AMI, resisting market-driven upscaling.
2. Curbing Speculative Price Inflation
 - Cause Addressed: Speculation drives prices up faster than supply can respond, especially in land-scarce areas.
 - Solution: Owner-occupancy rules or profit caps deter speculators, keeping prices aligned with local incomes and stabilizing supply for actual residents.
 - Example: A 5-year occupancy requirement prevents flipping, preserving housing availability.

3. Targeting Supply to Specific Needs
 - Cause Addressed: High development costs and zoning bias new supply toward luxury, neglecting essential workers amid regulatory delays.
 - Solution: Restrictions designate units for specific income brackets or professions, ensuring limited supply serves those hit hardest by inelasticity.
 - Example: A deed reserves units for teachers earning 60–100% of AMI, bypassing market trends.
 4. Long-Term Affordability Amid Supply Lag
 - Cause Addressed: Time lags and infrastructure bottlenecks delay new housing, leaving prices high during growth spurts.
 - Solution: Perpetual or long-term affordability (e.g., via community land trusts) keeps existing units accessible, buffering against inelasticity-driven cost spikes.
 - Example: A 99-year restriction ensures a nurse's rental stays affordable near a hospital.
 5. Encouraging Efficient Use of Existing Land
 - Cause Addressed: Zoning and land scarcity restrict new builds, underutilizing available space.
 - Solution: Restrictions allow modest density (e.g., ADUs or duplexes) while enforcing affordability, stretching supply without battling regulatory inertia.
 - Example: A deed permits a low-cost rental unit addition for a firefighter, maximizing land use.
 6. Mitigating Tax and Cost Burdens
 - Cause Addressed: Speculative demand and regulatory limits on supply raise taxes and living costs, displacing residents.
 - Solution: Restrictions limit value-boosting improvements, keeping tax assessments low and affordable for long-term occupants.
 - Example: A ban on luxury add-ons keeps a home's taxable value stable for a teacher.
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Linking to Previous Contexts

- Gentrification and Displacement: Inelasticity fuels gentrification by amplifying price surges when supply can't meet demand; restrictions preserve affordable stock to counter this.
 - Blight Risk: Overly rigid restrictions (e.g., from curbing investment amid high costs) can stagnate upkeep; flexible maintenance allowances prevent decay.
 - Essential Workers: Inelastic markets near workplaces (e.g., due to zoning or land limits) price out key workers; restrictions secure housing tailored to their needs.
-

Practical Implementation

- Scale: Broad application (e.g., neighborhood-wide restrictions) offsets inelasticity's systemic effects.
- Partnerships: Cities, employers, or nonprofits can use restrictions with incentives (e.g., tax breaks) to preserve or create targeted units.
- Enforcement: Legal title mechanisms ensure compliance, countering speculative pressures.

Limitations and Risks

1. Doesn't Increase Supply: Restrictions manage existing stock but don't address root causes like zoning or construction delays—pairing with supply-side reforms is key.
2. Market Distortion: In high-cost areas, developers may avoid restricted projects, shrinking total supply if incentives lag.
3. Blight Potential: If restrictions deter maintenance (e.g., due to capped returns), neglect can worsen in inelastic, underinvested markets.
 - Mitigation: Subsidize upkeep or allow modest appreciation.

Real-World Examples

- Boulder, CO: Restrictions cap resale prices in a land-constrained market, easing inelasticity's price effects for workers.
- Washington, D.C.: Inclusionary Zoning deed restrictions secure affordable units despite slow supply growth from regulatory hurdles.
- Vermont CLTs: Perpetual restrictions stabilize housing in rural areas with limited land and high development costs.

Conclusion

Deed restrictions tackle housing market inelasticity—caused by construction lags, land scarcity, zoning, high costs, speculation, infrastructure limits, and uncertainty—by preserving affordable stock, curbing price spikes, and targeting supply to critical groups like essential workers. They act as a stabilizing force in rigid markets but must be balanced to avoid blight and paired with supply-boosting policies for lasting impact.

What factors should the Council consider when creating a policy to balance affordability and equity in homeownership?

When crafting a policy to balance affordability and equity in homeownership—especially in the context of using tools like deed restrictions to address housing market inelasticity, gentrification, displacement, and the needs of essential workers—governments must weigh a complex mix of economic, social, legal, and practical factors. The goal is to ensure housing remains accessible while fostering wealth-building opportunities and avoiding unintended consequences like blight. Here's a comprehensive breakdown of key considerations:

1. Economic Factors

- **Housing Market Dynamics**
 - Consideration: Assess local supply inelasticity (e.g., land scarcity, construction costs, zoning limits) and demand pressures (e.g., job growth, migration). Policies must adapt to whether the market is hot (rising prices) or stagnant (low investment).
 - Why: Inelastic markets need affordability safeguards like deed restrictions, but overregulation in weak markets could deter development.
 - Example: In San Francisco, high demand and low supply justify strict affordability measures, while in rural areas, boosting supply might take priority.
 - **Income Disparities**
 - Consideration: Target income brackets (e.g., 60–120% of AMI) that include essential workers and historically disadvantaged groups, ensuring policies align with local wage realities.
 - Why: Equity requires addressing gaps between market-rate housing costs and what teachers, nurses, or service workers can afford.
 - Example: A policy might prioritize households earning \$40,000–\$80,000 in a city where median home prices hit \$500,000.
 - **Wealth-Building Potential**
 - Consideration: Balance affordability restrictions (e.g., resale caps) with opportunities for homeowners to build equity, a key driver of intergenerational wealth.
 - Why: Too-strict limits can trap residents in perpetual low wealth, undermining equity goals, especially for marginalized communities.
 - Example: Allow 25% of home appreciation to accrue to owners under a deed restriction, sharing gains with future buyers.
 - **Cost of Implementation**
 - Consideration: Evaluate funding needs for subsidies, tax incentives, or enforcement (e.g., monitoring deed restrictions), and ensure fiscal sustainability.
 - Why: Overburdened budgets could derail policy effectiveness or shift costs to taxpayers.
 - Example: Pair restrictions with federal grants like HUD's HOME program to offset local costs.
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2. Social Factors

- **Equity and Inclusion**
 - Consideration: Address historical disparities in homeownership (e.g., due to redlining, discrimination) by prioritizing access for underserved groups—racial minorities, low-income families, or first-time buyers.
 - Why: Homeownership builds wealth and stability, but past inequities mean some groups need targeted support to catch up.
 - Example: Reserve deed-restricted units for households with no prior homeownership history.
- **Community Stability**
 - Consideration: Prevent displacement of long-term residents while integrating new homeowners, maintaining cultural and social cohesion.
 - Why: Rapid gentrification can fracture communities; policies should protect existing residents without freezing neighborhoods in time.
 - Example: Use restrictions to cap rents for current tenants while offering ownership options nearby.
- **Essential Worker Needs**
 - Consideration: Ensure housing proximity to workplaces for critical professions (e.g., teachers, healthcare workers), reducing commute times and supporting local economies.

- Why: Inelastic markets near job centers often exclude these workers, weakening public services.
 - Example: Tie deed restrictions to employment verification in key sectors.
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3. Legal and Regulatory Factors

- Property Rights
 - Consideration: Balance private property freedoms with public affordability goals, anticipating legal challenges from owners or developers.
 - Why: Overly restrictive policies (e.g., perpetual price caps) may face lawsuits for “takings” under eminent domain laws.
 - Example: Offer opt-in incentives (e.g., tax breaks) rather than mandatory restrictions to reduce pushback.
 - Zoning and Land Use Compatibility
 - Consideration: Align deed restriction policies with existing zoning laws or adjust regulations to allow denser, affordable options (e.g., ADUs, duplexes).
 - Why: Zoning often drives inelasticity; misalignment could limit policy reach or exacerbate supply shortages.
 - Example: Relax single-family zoning near transit hubs to pair with affordability restrictions.
 - Enforcement Mechanisms
 - Consideration: Design clear, enforceable rules for deed restrictions (e.g., penalties for violations, reversion clauses) and designate oversight bodies.
 - Why: Weak enforcement risks loopholes, undermining affordability and equity goals.
 - Example: Assign a housing authority to monitor compliance and resolve disputes.
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4. Practical and Implementation Factors

- Scalability and Supply Impact
 - Consideration: Ensure policies create or preserve enough units to meaningfully address affordability without stifling total housing supply.
 - Why: Deed restrictions alone don’t increase supply (a root cause of inelasticity); overreliance could deter developers.
 - Example: Combine restrictions with incentives for new affordable construction (e.g., density bonuses).
- Avoiding Blight
 - Consideration: Prevent disinvestment by allowing maintenance and modest upgrades within affordability limits, as overly rigid restrictions can lead to neglect.
 - Why: Blight undermines equity by degrading neighborhoods and reducing property values for residents.
 - Example: Subsidize repairs for deed-restricted homes to keep them viable.
- Flexibility Over Time
 - Consideration: Build in review periods or sunset clauses (e.g., 20–30 years) to adapt policies to changing market conditions or demographic needs.
 - Why: Static policies may become obsolete as economies shift, risking inequity or inefficiency.
 - Example: Reassess AMI targets every decade to reflect wage growth.

- Public and Stakeholder Buy-In
 - Consideration: Engage homeowners, developers, and residents in policy design to ensure acceptance and avoid resistance.
 - Why: Lack of support can derail implementation or spark political backlash.
 - Example: Hold community forums to tailor deed restrictions to local priorities.
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5. Broader Policy Integration

- Complementary Measures
 - Consideration: Pair deed restrictions with tax relief (e.g., for low-income owners), down payment assistance, or rent control to amplify affordability and equity.
 - Why: A holistic approach tackles multiple barriers (e.g., taxes, upfront costs) in inelastic markets.
 - Example: Offer property tax freezes for deed-restricted homes owned by seniors or essential workers.
 - Supply-Side Solutions
 - Consideration: Address inelasticity's root causes (e.g., zoning, construction delays) alongside restrictions to boost overall housing availability.
 - Why: Without more supply, affordability gains may be limited to a small pool of restricted units.
 - Example: Streamline permitting for affordable multi-family projects tied to restrictions.
 - Regional Coordination
 - Consideration: Coordinate with neighboring jurisdictions to prevent policy gaps or displacement spillovers (e.g., pushing residents to cheaper suburbs).
 - Why: Housing markets are interconnected; isolated policies may shift problems elsewhere.
 - Example: Create a metro-wide CLT network with shared affordability standards.
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Balancing Affordability and Equity

- Affordability Focus: Use deed restrictions to cap prices/rents, target essential workers, and preserve stock in inelastic markets, ensuring access for those priced out.
 - Equity Focus: Allow some equity growth, prioritize marginalized groups, and avoid exclusionary outcomes (e.g., favoring only current residents), fostering wealth-building and inclusion.
 - *Trade-Offs: Strict affordability might limit equity gains (e.g., via resale caps), while prioritizing equity could raise costs over time. Policies must strike a middle ground—e.g., shared-equity models where appreciation is split between owners and future buyers.
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Real-World Context

- Minneapolis, MN: The city's 2040 Plan pairs zoning reform (more supply) with affordability mandates, aiming for both access and equity.

- Montgomery County, MD: The Moderately Priced Dwelling Unit program uses deed restrictions to secure affordable homes while allowing limited equity growth, balancing both goals.
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Conclusion

Governments must consider market conditions, income gaps, equity gaps, legal limits, and practical feasibility when using deed restrictions or other tools to balance affordability and equity. The policy should preserve housing access in inelastic markets, protect against displacement and blight, and ensure essential workers and underserved groups can build wealth—ideally integrating with supply-side fixes for long-term success.

How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events? Provide any specific policies the Council should consider.

Balancing deed restriction policies with extenuating circumstances—like natural disasters, economic crises, or personal life-altering events (e.g., job loss, death, disability)—requires governments to build flexibility into these tools while preserving their core goals of affordability and equity. Rigid restrictions can exacerbate hardship in such scenarios, potentially forcing residents out of homes or undermining community stability. Below, I'll outline how governments can achieve this balance, integrating insights from prior discussions on inelasticity, gentrification, and essential workers, and suggest specific policies to address these challenges.

How to Balance Deed Restrictions with Extenuating Circumstances

1. Incorporate Emergency Flexibility Clauses
 - Challenge: Natural disasters (e.g., hurricanes, wildfires) can destroy deed-restricted homes or render them uninhabitable, while strict resale or repair limits may prevent owners from rebuilding or selling at market rates to recover.
 - Solution: Allow temporary waivers or adjustments to restrictions during declared emergencies, ensuring residents can adapt without losing affordability protections long-term.
 - Why: This prevents displacement while maintaining the policy's intent post-recovery.
2. Provide Financial Safety Nets
 - Challenge: Life-altering events (e.g., medical emergencies, unemployment) can make it impossible for owners or renters to meet mortgage or upkeep costs, especially if restrictions cap resale profits or rental income.
 - Solution: Pair restrictions with relief programs (e.g., grants, low-interest loans) to cover costs during crises, reducing foreclosure or eviction risks.
 - Why: Keeps residents housed and preserves restricted units for future use.
3. Adjust Equity and Resale Rules
 - Challenge: In disasters or personal crises, owners may need to sell quickly or access equity, but strict caps (e.g., on resale prices) limit their options, potentially trapping them financially.

- Solution: Permit limited equity withdrawals or higher resale allowances in exceptional cases, balancing individual needs with affordability goals.
 - Why: Supports wealth-building equity without fully undoing restrictions.
 - 4. Facilitate Temporary Relocation or Substitution
 - Challenge: Disasters may displace residents from restricted homes, while occupancy rules (e.g., owner-occupancy) complicate temporary moves or rebuilding delays.
 - Solution: Allow temporary leasing or transfer of occupancy rights to other eligible households during recovery, with a return clause.
 - Why: Maintains community ties and affordability without penalizing affected residents.
 - 5. Mitigate Blight Risks Post-Crisis
 - Challenge: Damaged restricted properties can fall into disrepair if owners lack funds or incentives to rebuild, especially in inelastic markets with slow recovery.
 - Solution: Offer expedited repair funding or relax improvement bans tied to disaster recovery, ensuring homes don't degrade.
 - Why: Prevents neighborhood decline while keeping units viable for residents like essential workers.
 - 6. Coordinate with Insurance and Disaster Policies
 - Challenge: Insurance payouts may not align with restricted values, leaving owners underfunded to rebuild, or rigid rules may block using funds for market-rate sales.
 - Solution: Align deed restrictions with disaster recovery frameworks, allowing insurance proceeds to be reinvested in affordable rebuilding or adjusted sales.
 - Why: Ensures practicality and equity in post-disaster scenarios.
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Specific Policies to Consider

1. Emergency Waiver Program
 - Policy: Create a formal process for suspending deed restrictions (e.g., resale caps, occupancy rules) for up to 2 years after a declared natural disaster or personal hardship (e.g., documented medical crisis, job loss). Owners must apply, showing need, with restrictions reinstated post-recovery or transferred to a new affordable unit.
 - Example: After a flood, a homeowner could sell at market rate to relocate, with proceeds funding a replacement restricted home elsewhere in the community.
 - Benefit: Balances immediate needs with long-term affordability.
2. Disaster Resilience Fund for Restricted Homes
 - Policy: Establish a government-backed fund offering grants or zero-interest loans to repair or rebuild deed-restricted properties damaged by disasters, prioritizing essential workers and low-income owners.
 - Example: A nurse's fire-damaged home gets a \$50,000 grant to rebuild, keeping it affordable at 80% AMI.
 - Benefit: Prevents loss of affordable stock and supports resident recovery.
3. Hardship Equity Release Option
 - Policy: Allow owners of deed-restricted homes to access up to 50% of accrued equity (beyond standard caps) in cases of extenuating circumstances, verified by a local housing authority (e.g., disability, death of a breadwinner). Remaining equity stays restricted for future buyers.
 - Example: A teacher facing medical bills could withdraw \$30,000 from a \$60,000 equity gain, with the rest preserved for affordability.
 - Benefit: Provides a lifeline while maintaining equity-sharing goals.
4. Temporary Occupancy Substitution
 - Policy: Permit owners to lease restricted homes to other eligible households (e.g., same income bracket or profession) for up to 3 years during disaster recovery or personal crises, with a right to return once stabilized.

- Example: A firefighter displaced by a hurricane leases their home to a teacher, returning after rebuilding.
 - Benefit: Keeps units occupied and affordable without permanent loss.
 - 5. Post-Disaster Rebuilding Incentive
 - Policy: Offer tax credits or expedited permits to owners or developers who rebuild deed-restricted homes to higher resilience standards (e.g., flood-proofing) after a disaster, maintaining affordability clauses.
 - Example: A rebuilt restricted duplex gets a 5-year property tax break if elevated against future floods.
 - Benefit: Reduces blight and future risk while preserving stock in inelastic markets.
 - 6. Insurance Alignment Clause
 - Policy: Require deed restrictions to include a provision allowing insurance payouts to fund rebuilding at restricted values or, if unfeasible, permit a one-time market-rate sale with proceeds reinvested in a new affordable unit elsewhere.
 - Example: After a tornado, an owner uses a \$200,000 payout to rebuild or buys a replacement restricted home.
 - Benefit: Ensures financial viability without undermining policy intent.
-

Integration with Prior Contexts

- Inelasticity: These policies address supply lags post-disaster by preserving existing restricted units, countering the slow pace of new construction.
 - Gentrification/Displacement: Flexibility prevents residents from being forced out during crises, maintaining community stability against market pressures.
 - Essential Workers: Prioritizing their recovery (e.g., via funds or occupancy rules) keeps them housed near workplaces.
 - Blight: Repair incentives and funding prevent deterioration of restricted properties, a risk heightened by disasters.
-

Practical Considerations

- Eligibility Criteria: Define “extenuating circumstances” clearly (e.g., FEMA disaster declaration, medical documentation) to avoid abuse while ensuring access.
 - Funding Sources: Tap federal aid (e.g., FEMA, CDBG-DR), state budgets, or local bonds to support relief without overburdening taxpayers.
 - Oversight: Assign housing authorities or nonprofits (e.g., CLTs) to manage waivers, funds, and compliance, ensuring fairness.
 - Time Limits: Set reasonable durations for exceptions (e.g., 1–3 years) to balance flexibility with long-term affordability goals.
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Real-World Precedents

- New Orleans Post-Katrina: The Road Home program offered grants to rebuild, though not tied to deed restrictions; a similar model could prioritize affordable units.
 - California Wildfire Recovery: Some CLTs in fire-prone areas have adjusted restrictions to allow rebuilding with state aid, maintaining affordability.
 - NYC Sandy Response: Temporary rent relief for restricted tenants showed how flexibility can stabilize housing post-disaster.
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Conclusion

Governments can balance deed restriction policies with extenuating circumstances by embedding flexibility (waivers, equity releases), providing financial support (funds, incentives), and ensuring practical recovery options (substitution, insurance alignment). Specific policies like emergency waivers, resilience funds, and hardship equity releases protect affordability and equity while addressing crises like disasters or personal upheavals. This approach preserves the housing safety net in inelastic markets, supports essential workers, and prevents blight—adapting to life’s unpredictability without losing sight of long-term goals.

What are some risks when buying a deed-restricted home and how can they be mitigated? What are the risks for buying an unrestricted home?

Buying a home—whether deed-restricted or unrestricted at market rate—comes with distinct risks shaped by the property’s legal, financial, and market context. Deed-restricted homes, often used to ensure affordability and equity, carry unique limitations that can affect ownership, while unrestricted market-rate homes expose buyers to broader market volatility and cost pressures. Below, I’ll outline the risks for each, along with mitigation strategies for deed-restricted homes, tying in insights from prior discussions on inelasticity, gentrification, and extenuating circumstances.

Risks When Buying a Deed-Restricted Home

1. Limited Resale Value and Equity Growth
 - Risk: Deed restrictions often cap resale prices (e.g., tied to AMI or inflation) to maintain affordability, limiting profit and equity accumulation compared to market-rate homes. This can hinder wealth-building or trap owners financially if they need to relocate.
 - Mitigation: Research the restriction’s equity-sharing terms (e.g., 25% of appreciation) and negotiate for policies allowing partial equity release in emergencies (as discussed earlier). Save separately for future financial flexibility.
2. Resale Restrictions and Marketability
 - Risk: Restrictions may limit buyers to specific income brackets, professions, or occupancy rules (e.g., essential workers only), shrinking the pool of potential buyers and delaying sales.
 - Mitigation: Confirm eligibility criteria upfront and choose homes with broader buyer pools (e.g., 60–120% AMI vs. narrower bands). Work with a housing authority or CLT to pre-qualify buyers and streamline resale.

3. Maintenance and Improvement Constraints
 - Risk: Bans on luxury upgrades or strict rules to keep taxable values low can prevent owners from modernizing or repairing homes, risking blight or discomfort, especially post-disaster.
 - Mitigation: Verify allowed improvements (e.g., energy efficiency upgrades) and seek properties tied to maintenance subsidies or disaster relief funds (e.g., resilience grants). Budget for permitted repairs.
 4. Financial Hardship in Extenuating Circumstances
 - Risk: Natural disasters, job loss, or medical crises can strain finances, and rigid restrictions may block selling at market rate or leasing for income, increasing foreclosure risk.
 - Mitigation: Opt for homes with emergency flexibility clauses (e.g., temporary waivers) or hardship equity options. Secure robust insurance and an emergency fund to cover gaps.
 5. Legal and Compliance Burdens
 - Risk: Violating restrictions (e.g., renting to an ineligible tenant) can trigger penalties, reversion to a public entity, or legal disputes, complicating ownership.
 - Mitigation: Review the deed's terms with a real estate attorney before buying and maintain clear records of compliance (e.g., income verification). Engage with overseeing entities (e.g., CLTs) for guidance.
 6. Neighborhood Stagnation or Blight
 - Risk: If many restricted homes discourage investment (e.g., due to capped values), the area could decline, lowering quality of life and property desirability.
 - Mitigation: Choose neighborhoods with active community support (e.g., CLT oversight, repair programs) and evidence of balanced policy enforcement to prevent decay.
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Risks When Buying an Unrestricted Market-Rate Home

1. Price Volatility and Affordability Loss
 - Risk: In inelastic markets, prices can skyrocket due to demand outpacing supply (e.g., from zoning limits, land scarcity), making initial costs high and future sales uncertain if the market crashes.
 - Example: A \$500,000 home in a hot market could drop to \$350,000 in a downturn, erasing equity.
2. Gentrification and Tax Burdens
 - Risk: Rising neighborhood values can spike property taxes or living costs, displacing buyers on fixed incomes or outpacing wage growth, especially in high-demand areas.
 - Example: A modest home's taxes might jump from \$3,000 to \$6,000 annually as luxury developments move in.
3. Speculative Competition
 - Risk: Investors or flippers can outbid individual buyers, driving up prices and reducing access, particularly in areas with slow supply growth.
 - Example: A buyer loses a bidding war to a cash investor planning an Airbnb conversion.
4. Exposure to Economic Downturns
 - Risk: Recessions or interest rate hikes can lower home values or increase mortgage costs, risking negative equity (owing more than the home's worth) or foreclosure.
 - Example: A variable-rate mortgage jumps from 3% to 6%, doubling payments during a job loss.
5. Maintenance and Upkeep Costs
 - Risk: Without restrictions, owners bear full repair costs, which can escalate in disasters or aging homes, straining finances without subsidies available to restricted owners.

- Example: A \$20,000 roof replacement after a storm falls entirely on the owner, with no aid.
 - 6. Displacement Pressure
 - Risk: In gentrifying or inelastic markets, rising rents or redevelopment can force owners to sell if they can't keep up with costs, especially near job centers.
 - Example: A teacher buys near a school but sells when taxes triple due to nearby luxury condos.
-

Comparing Risks and Mitigation Needs

- Deed-Restricted Homes: Risks center on limited financial flexibility and compliance burdens, mitigated by understanding terms, securing relief options, and leveraging support programs. They offer stability against market swings but cap upside potential.
 - Market-Rate Homes: Risks stem from market exposure and cost unpredictability, with fewer built-in protections but greater freedom and profit potential. Mitigation relies on personal financial planning (e.g., fixed-rate loans, emergency savings) rather than policy buffers.
-

Specific Mitigation Strategies for Deed-Restricted Homes

1. Due Diligence: Hire a lawyer or housing counselor to decode restrictions (e.g., resale caps, occupancy rules) and assess long-term fit.
 2. Policy Advocacy: Push for flexible policies (e.g., emergency waivers, equity releases) when buying through a CLT or government program.
 3. Insurance Planning: Get comprehensive coverage tailored to disasters common in the area (e.g., flood insurance in coastal zones), ensuring payouts align with restricted rebuilding costs.
 4. Community Support: Buy in areas with strong oversight (e.g., active CLTs) offering maintenance grants or resale assistance.
 5. Financial Cushion: Build savings to offset restricted equity gains or cover crises, supplementing policy-based relief.
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Real-World Context

- Deed-Restricted Example: In Boulder, CO, buyers of restricted homes face resale caps but benefit from stable costs; some report frustration with limited equity, mitigated by city repair grants.
 - Market-Rate Example: In Austin, TX, market-rate buyers saw values soar then dip in 2022–2023, highlighting volatility; those with fixed-rate mortgages weathered it better.
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Conclusion

Deed-restricted homes risk limited resale value, marketability, and flexibility, mitigated by thorough research, policy flexibility (e.g., waivers, subsidies), and personal planning. Unrestricted market-rate homes face volatility, tax hikes, and competition, with risks tied to broader economic forces and less manageable through policy alone. Buyers must weigh stability vs. potential, aligning choices with financial goals and local market conditions—like inelasticity or gentrification pressures.

Should properties in different Area Median Income categories have similar or the same deed-restricted time periods?

Deciding whether properties in different Area Median Income (AMI) categories—such as low-income (e.g., 0–50% AMI), moderate-income (e.g., 50–80% AMI), or middle-income (e.g., 80–120% AMI)—should have similar or identical deed-restricted time periods involves weighing affordability goals, equity considerations, market dynamics, and the practical needs of residents. There's no one-size-fits-all answer; the choice depends on policy objectives, local housing conditions, and the risks discussed earlier (e.g., resale limits, blight). Below, I'll explore the arguments for uniform vs. differentiated time periods, tying in insights from inelasticity, essential workers, and extenuating circumstances, and conclude with a recommendation.

Arguments for Similar or Same Deed-Restricted Time Periods

1. Administrative Simplicity
 - Reason: Uniform time periods (e.g., 30 years across all AMI categories) streamline policy implementation, monitoring, and enforcement, reducing complexity for housing authorities or community land trusts (CLTs).
 - Benefit: Easier compliance for buyers and sellers, avoiding confusion over varying expiration dates.
 - Example: A city applies a 20-year restriction to all deed-restricted homes, simplifying resale processes.
2. Equity Across Income Groups
 - Reason: Equal time periods ensure all beneficiaries—whether low- or middle-income—face the same ownership constraints and opportunities, promoting fairness.
 - Benefit: Prevents perceptions of favoritism (e.g., shorter terms for higher earners) and aligns with broad equity goals.
 - Example: A teacher at 80% AMI and a service worker at 50% AMI both get 15-year terms, fostering community cohesion.
3. Predictable Market Impact
 - Reason: Consistent durations create a stable pool of affordable housing in inelastic markets, making it easier to forecast supply and plan complementary policies (e.g., new construction incentives).
 - Benefit: Reduces uncertainty for developers and residents about when units revert to market rates.
 - Example: A uniform 30-year term helps a city maintain affordability near job centers despite slow supply growth.
4. Shared Resilience to Extenuating Circumstances
 - Reason: Uniform terms allow standardized flexibility clauses (e.g., disaster waivers) to apply across AMI categories, ensuring equitable relief in crises.
 - Benefit: Simplifies emergency policy adjustments for all restricted owners.
 - Example: A 25-year term with a 2-year disaster waiver applies equally to all, streamlining recovery.

Arguments for Different Deed-Restricted Time Periods

1. Tailored Affordability Needs
 - Reason: Lower AMI households (e.g., 0–50%) often face greater housing cost burdens and market exclusion, justifying longer restrictions (e.g., 50 years or perpetuity) to secure affordability. Higher AMI groups (e.g., 80–120%) may need shorter terms (e.g., 10–15 years) as they're closer to market viability.
 - Benefit: Matches duration to income vulnerability, maximizing impact where need is greatest.
 - Example: A 50% AMI home gets a 99-year restriction, while a 100% AMI home gets 15 years, reflecting their differing affordability gaps.
2. Economic Mobility and Equity Trade-Offs
 - Reason: Shorter restrictions for higher AMI categories (e.g., essential workers at 80–120%) allow earlier equity gains, supporting wealth-building for those with moderate means. Longer terms for lower AMI protect against gentrification but may limit financial upside.
 - Benefit: Balances affordability with upward mobility, addressing varied equity needs.
 - Example: A nurse at 100% AMI can sell after 10 years with some profit, while a 40% AMI renter's unit stays restricted for 30 years.
3. Market Pressure Variability
 - Reason: In high-demand, inelastic markets, lower-income units need longer protections to resist gentrification, while middle-income units may face less pressure and thrive with shorter terms.
 - Benefit: Adapts to local conditions, optimizing resource allocation.
 - Example: In San Francisco, 50% AMI homes get 50-year terms due to extreme price spikes, while 100% AMI homes get 20 years.
4. Incentive for Participation
 - Reason: Higher AMI buyers (e.g., 80–120%) might resist long restrictions due to perceived limits on resale value, especially if they're closer to market-rate buyers. Shorter terms could encourage their buy-in.
 - Benefit: Broadens the pool of deed-restricted participants, including essential workers.
 - Example: A firefighter at 90% AMI opts into a 15-year restriction, avoiding a 30-year term that feels too restrictive.
5. Response to Extenuating Circumstances
 - Reason: Lower-income owners may need longer-term stability post-disaster or crisis, while moderate-income owners might recover faster with shorter restrictions and flexibility to sell.
 - Benefit: Aligns duration with recovery capacity and financial resilience.
 - Example: A 40% AMI home gets a 40-year term with disaster relief, while a 100% AMI home gets 10 years with an equity release option.

Risks and Mitigation Considerations

- Uniform Periods:
 - Risk: May overburden higher AMI owners with long terms (reducing equity) or under-protect lower AMI owners with short terms (exposing them to market rates too soon).
 - Mitigation: Pair with flexible equity options (e.g., hardship releases) or tiered resale caps to adjust impact.

- Different Periods:
 - Risk: Complexity could confuse buyers or lead to inequity perceptions; shorter terms for higher AMI might free units too quickly in gentrifying areas.
 - Mitigation: Standardize baseline terms (e.g., 20 years) with optional extensions for lower AMI, and use clear public education campaigns.
 - Blight Risk (from Earlier): Long terms across all categories could discourage upkeep if equity is capped; shorter terms risk loss of affordability. Mitigation requires maintenance subsidies regardless of duration.
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Recommendation: Hybrid Approach

Properties in different AMI categories should have differentiated base time periods tailored to income vulnerability and market pressures, but with standardized flexibility mechanisms to ensure equity and adaptability. Here's why and how:

- Why Differentiated Base Periods?
 - Lower AMI households (0–50%) need longer protections (e.g., 30–99 years or perpetuity) to counter severe affordability gaps and gentrification in inelastic markets.
 - Moderate AMI (50–80%) benefits from medium terms (e.g., 20–30 years) to balance affordability with some equity growth.
 - Higher AMI (80–120%), like essential workers, can manage shorter terms (e.g., 10–20 years) as they're closer to market access, encouraging participation without over-limiting upside.
 - This aligns duration with need, maximizing impact where housing insecurity is highest.
 - Why Standardized Flexibility?
 - Uniform emergency clauses (e.g., 2-year waivers, equity releases up to 50% in crises) across all AMI categories ensure equitable relief for extenuating circumstances, simplifying administration and fostering fairness.
 - Prevents lower-income owners from being trapped or higher-income owners from losing out in disasters.
 - Specific Policy Example:
 - 0–50% AMI: 50-year restriction, resale at 2x initial price, with disaster repair grants.
 - 50–80% AMI: 25-year restriction, resale at 50% of appreciation, with temporary leasing option.
 - 80–120% AMI: 15-year restriction, resale at 75% of appreciation, with hardship equity withdrawal.
 - All Categories: 2-year waiver post-disaster, access to resilience funds.
 - Outcome: Protects affordability where most needed, supports equity via graduated freedom, and mitigates risks (e.g., resale delays, blight) with consistent safety nets.
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Real-World Context

- Montgomery County, MD: Varies restriction periods (30 years for low-income, shorter for moderate) in its MPDU program, balancing affordability with owner flexibility.

- Boulder, CO: Uses uniform 99-year terms via CLTs but adjusts resale formulas by AMI, showing a hybrid approach.
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Conclusion

Different AMI categories should have tailored deed-restricted time periods to reflect their distinct affordability and equity needs—longer for lower incomes, shorter for higher—optimizing protection in inelastic markets and encouraging participation. However, uniform flexibility (e.g., waivers, relief funds) ensures fairness and adaptability across all groups, especially in crises. This hybrid model balances policy goals with resident realities, avoiding one-size-fits-all pitfalls.

Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home?

Determining whether deed-restriction time periods should vary by home type—such as multifamily vs. single-family homes, or one-bedroom vs. three-bedroom single-family homes—hinges on the policy's goals (affordability, equity, supply stability), the housing market's characteristics (e.g., inelasticity), and the intended beneficiaries (e.g., essential workers, families). Different home types serve distinct needs and face unique market pressures, suggesting a case for tailored durations, but uniform periods could simplify administration and ensure equity. Below, I'll analyze this question, drawing on prior discussions about AMI categories, gentrification, and extenuating circumstances, and provide a reasoned recommendation.

Should Multifamily and Single-Family Homes Have Different Deed-Restriction Time Periods?

Arguments for Different Time Periods

1. Market Demand and Supply Dynamics
 - Reason: Multifamily homes (e.g., apartments, duplexes) often face higher demand in urban, inelastic markets due to land scarcity and population density, making them prime targets for luxury conversion or rent hikes. Single-family homes, more common in suburbs, may see less intense pressure but still risk gentrification.
 - Implication: Longer restrictions on multifamily homes (e.g., 50 years) could preserve dense affordable stock where supply lags most, while shorter terms (e.g., 20 years) might suffice for single-family homes in less pressured areas.
 - Example: In a city like New York, a multifamily building needs a 99-year restriction to stay affordable near transit hubs, while a single-family home in a quieter suburb might need only 15 years.
2. Resident Needs and Turnover
 - Reason: Multifamily units often house renters or transient populations (e.g., young professionals, essential workers) who benefit from long-term affordability due to limited ownership options. Single-family homes typically attract owners seeking stability and equity, who may chafe at prolonged restrictions.

- Implication: Longer terms for multifamily protect vulnerable renters; shorter terms for single-family encourage ownership and mobility.
 - Example: A multifamily unit for nurses gets a 40-year term, while a single-family home for a teacher gets 15 years with equity-sharing.
3. Development and Maintenance Costs
- Reason: Multifamily homes have higher upfront construction and ongoing maintenance costs (e.g., elevators, shared spaces), often requiring longer affordability periods to justify public subsidies or developer incentives. Single-family homes, with lower costs, might not need extended terms.
 - Implication: Longer restrictions on multifamily (e.g., 30–50 years) ensure return on investment for affordable projects; shorter terms (e.g., 10–20 years) for single-family align with simpler economics.
 - Example: A subsidized multifamily project gets a 50-year term to recoup costs, while a single-family home gets 20 years.
4. Extenuating Circumstances Impact
- Reason: Multifamily homes may house more residents affected by disasters (e.g., floods displacing dozens), necessitating longer terms to maintain community stability post-crisis. Single-family homes, with fewer occupants, might recover faster with shorter restrictions.
 - Implication: Longer multifamily terms provide a broader safety net; shorter single-family terms allow flexibility.
 - Example: A multifamily building gets a 60-year term with disaster waivers, while a single-family home gets 15 years.

Arguments for Same Time Periods

1. Policy Consistency
 - Reason: Uniform periods (e.g., 25 years) across home types simplify administration, enforcement, and public understanding, reducing confusion or perceived inequity.
 - Benefit: Streamlines resale, compliance, and planning in inelastic markets.
 - Example: A city applies a 30-year term to all restricted properties, easing oversight.
2. Equity Across Housing Types
 - Reason: Equal durations ensure all beneficiaries—renters in multifamily or owners in single-family—face the same affordability timeline, avoiding favoritism based on housing form.
 - Benefit: Promotes fairness and cohesion across diverse residents.
 - Example: A multifamily tenant and single-family owner both enjoy 20-year affordability.
3. Market Predictability
 - Reason: Consistent terms create a predictable pool of affordable units, aiding long-term housing strategies regardless of type.
 - Benefit: Helps cities balance supply for renters and owners in gentrifying areas.
 - Example: A uniform 30-year term ensures steady affordability near job centers.

Should One-Bedroom and Three-Bedroom Single-Family Homes Have Different Deed-Restriction Time Periods?

Arguments for Different Time Periods

1. Household Size and Stability Needs
 - Reason: Three-bedroom homes typically serve families needing long-term stability (e.g., school continuity), justifying longer restrictions (e.g., 30 years) to protect against displacement. One-bedroom homes often attract singles or couples with higher turnover, suggesting shorter terms (e.g., 10–15 years).

- Implication: Longer terms for larger homes prioritize family equity; shorter terms for smaller homes suit transient residents.
 - Example: A three-bedroom home for a family at 60% AMI gets a 40-year term, while a one-bedroom for a single worker at 80% AMI gets 15 years.
2. Market Pressure and Cost
- Reason: Larger homes (e.g., three-bedroom) face greater gentrification pressure due to higher market value and developer interest, requiring longer protections. Smaller homes (e.g., one-bedroom) are less lucrative for flips, needing less time.
 - Implication: Longer terms for three-bedroom homes resist upscaling; shorter terms for one-bedroom suffice in milder markets.
 - Example: A three-bedroom in a hot suburb gets a 50-year term, while a one-bedroom nearby gets 20 years.
3. Equity vs. Flexibility Trade-Off
- Reason: Families in three-bedroom homes may need prolonged affordability to build wealth, while one-bedroom owners (e.g., young professionals) may prioritize flexibility over long-term caps.
 - Implication: Longer terms for larger homes support equity; shorter terms for smaller homes enable mobility.
 - Example: A three-bedroom owner keeps a 30-year restriction with modest equity gains, while a one-bedroom owner sells after 10 years with higher returns.

Arguments for Same Time Periods

1. Administrative Ease
 - Reason: Uniform periods within single-family homes (e.g., 20 years) avoid complexity in tracking different sizes, simplifying policy execution.
 - Benefit: Reduces errors and disputes over terms.
 - Example: All single-family homes get a 25-year term, regardless of bedrooms.
2. Fairness Across Sizes
 - Reason: Equal terms ensure all single-family owners—whether in one- or three-bedroom homes—face the same constraints and benefits, avoiding size-based disparities.
 - Benefit: Promotes equity within the ownership class.
 - Example: A one-bedroom and three-bedroom home both carry a 15-year restriction.
3. Consistent Community Goals
 - Reason: Uniform durations align all single-family homes with the same affordability timeline, supporting neighborhood stability regardless of household type.
 - Benefit: Prevents fragmented turnover patterns.
 - Example: A 30-year term keeps both small and large homes affordable in a gentrifying area.

Risks and Mitigation

- Different Periods:
 - Risk: Complexity could confuse buyers or lead to inequity perceptions; shorter terms might free units too soon in high-pressure markets.
 - Mitigation: Use clear tiers (e.g., multifamily: 50 years, single-family: 20 years) and pair with AMI adjustments for fairness.
- Same Periods:

- Risk: May under-protect multifamily renters or over-restrict single-family owners; uniform terms might not match bedroom-specific needs.
 - Mitigation: Add flexibility clauses (e.g., equity releases, disaster waivers) to adapt to varying pressures.
 - Blight (from Earlier): Longer terms risk disinvestment across types; shorter terms risk affordability loss. Subsidies and maintenance rules mitigate this.
-

Recommendation: Differentiated Periods by Type, Flexible Within Categories

- Multifamily vs. Single-Family:
 - Recommendation: Multifamily homes should have longer restrictions (e.g., 30–99 years) due to higher demand, renter vulnerability, and development costs in inelastic markets. Single-family homes warrant shorter terms (e.g., 15–30 years) to balance affordability with owner flexibility and equity.
 - Why: Reflects distinct market roles—multifamily as dense, long-term rental stock; single-family as ownership with mobility potential.
 - Example Policy: Multifamily: 50-year term, rent caps at 30% AMI; Single-family: 20-year term, resale at 50% appreciation.
 - One-Bedroom vs. Three-Bedroom Single-Family:
 - Recommendation: Within single-family homes, larger units (e.g., three-bedroom) should have slightly longer terms (e.g., 25–30 years) than smaller ones (e.g., 15–20 years) to protect families and counter higher gentrification pressure, but differences should be modest.
 - Why: Family stability and market value justify longer terms for larger homes, but uniformity within single-family simplifies administration.
 - Example Policy: Three-bedroom: 25-year term, 60% AMI cap; One-bedroom: 15-year term, 80% AMI cap.
 - Flexibility Across All: Standardize emergency provisions (e.g., 2-year disaster waivers, hardship equity up to 50%) to ensure adaptability, regardless of type or size.
 - Outcome: Tailors duration to housing function and resident need, preserves affordability where pressure is greatest (multifamily, larger homes), and supports equity with flexible relief.
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Real-World Context

- San Francisco: Multifamily units often carry 55–99-year restrictions (e.g., via inclusionary zoning), while single-family programs (e.g., down payment assistance) use 10–30 years, reflecting type-based needs.
 - Vermont CLTs: Tend toward uniform perpetual terms but adjust resale caps by size and AMI, showing a hybrid approach.
-

Conclusion

Deed-restriction time periods should differ between multifamily (longer) and single-family (shorter) homes due to their distinct roles in affordability and market dynamics, with modest variations within single-family homes (e.g., longer for three-bedroom) to match household needs. This balances protection against gentrification and inelasticity with owner flexibility, enhanced by uniform crisis provisions. Uniformity simplifies but risks missing nuanced demands—differentiation better serves diverse housing goals.

Should the length of deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered.

Whether the length of deed restrictions should correspond to the amount of government funding a housing project receives is a nuanced question that ties into affordability goals, equity considerations, and the efficient use of public resources. Linking restriction duration to funding levels could align policy with investment scale, ensuring taxpayers see a proportional return in affordable housing stock, but it risks oversimplifying diverse housing needs and market dynamics. Below, I'll evaluate this approach, explain how it could be implemented, and address whether housing type (e.g., multifamily vs. single-family) should factor in, building on prior discussions about inelasticity, AMI categories, and home types.

Should Length of Deed Restrictions Correspond to Government Funding?

Arguments For Linking Duration to Funding

1. Return on Public Investment
 - Reason: Higher government funding (e.g., subsidies, tax credits) reflects a larger public stake in a project. Longer deed restrictions (e.g., 50 years for a heavily subsidized project vs. 15 years for minimal aid) ensure affordability persists in proportion to that investment.
 - Benefit: Maximizes the public benefit per dollar spent, especially in inelastic markets where affordable stock is scarce.
 - Example: A \$5 million grant for a multifamily complex justifies a 99-year restriction, while a \$500,000 subsidy for a single-family home gets 20 years.
2. Incentive for Developers
 - Reason: Tying duration to funding could encourage developers to seek larger subsidies for projects they're willing to restrict longer, aligning private and public interests.
 - Benefit: Boosts affordable housing supply where developers might otherwise prioritize market-rate units.
 - Example: A developer accepts a \$2 million grant for a 40-year restriction on apartments, vs. a \$200,000 grant for a 10-year single-family term.
3. Equity in Resource Allocation
 - Reason: Projects with more funding often target lower-income groups (e.g., 0–50% AMI), who need prolonged affordability due to greater market exclusion. Lesser-funded projects might serve moderate-income (e.g., 80–120% AMI), needing shorter terms.
 - Benefit: Matches restriction length to resident vulnerability and funding scale.
 - Example: A heavily subsidized low-income project gets 60 years; a lightly subsidized middle-income one gets 15 years.

4. Cost Recovery Over Time

- Reason: Larger investments (e.g., in multifamily) have higher upfront costs and longer break-even periods, warranting extended restrictions to justify the outlay. Smaller subsidies (e.g., for single-family) recoup faster.
- Benefit: Ensures fiscal responsibility and sustained affordability.
- Example: A \$10 million multifamily grant ties to a 75-year term; a \$100,000 single-family grant ties to 10 years.

Arguments Against Linking Duration to Funding

1. Oversimplification of Needs

- Reason: Funding levels don't always reflect a project's affordability need or market pressure. A small subsidy in a gentrifying area might still require a long restriction to protect residents, regardless of investment size.
- Drawback: Could under-protect lightly funded projects or over-restrict heavily funded ones.
- Example: A \$300,000 subsidy in a hot urban market might need 30 years, not 10, to resist gentrification.

2. Disincentive for Participation

- Reason: Developers or owners might avoid large subsidies if they come with lengthy restrictions (e.g., 50+ years), reducing overall affordable housing production, especially for single-family homes where flexibility is prized.
- Drawback: Shrinks supply in inelastic markets.
- Example: A builder rejects a \$1 million grant to avoid a 40-year term on a single-family project.

3. Complexity and Inequity

- Reason: A sliding scale based on funding could create confusion or perceived unfairness among residents, especially if housing type or AMI goals aren't factored in consistently.
- Drawback: Undermines policy clarity and public trust.
- Example: A multifamily tenant with a 60-year restriction feels burdened compared to a single-family owner with a 15-year term, despite similar subsidies.

4. Extenuating Circumstances Misalignment

- Reason: Longer terms tied to funding might trap residents in crisis (e.g., post-disaster) with no flexibility, while shorter terms might not protect enough after smaller investments fail to rebuild resilience.
- Drawback: Ignores real-world adaptability needs.
- Example: A \$5 million project with a 50-year term lacks waivers, stranding owners after a flood.

How to Implement This Approach

If deed-restriction length should correspond to funding, implementation requires a structured framework that balances investment scale with housing type and market context. Here's a proposed method:

1. Establish a Funding-to-Duration Ratio

- Method: Set a baseline restriction period (e.g., 10 years) for minimal funding (e.g., \$0–\$100,000), adding years per funding tier (e.g., +1 year per \$100,000 up to a cap like 99 years).
- Implementation:
 - \$0–\$100,000: 10 years
 - \$100,001–\$500,000: 15–20 years
 - \$500,001–\$1 million: 25–30 years
 - \$1 million+: 40–99 years (tiered by amount)

- Why: Provides a predictable, proportional link between public investment and affordability duration.
 - 2. Adjust for Housing Type
 - Method: Apply a multiplier or base adjustment based on type: multifamily homes get longer default terms (e.g., 1.5x the funding-based period) due to higher costs, density, and renter needs; single-family homes use the standard or a reduced factor (e.g., 0.75x) for flexibility and lower costs.
 - Implementation:
 - Multifamily: \$1 million = 60 years (40×1.5)
 - Single-family: \$1 million = 30 years (40×0.75)
 - Why: Reflects multifamily's role in dense, inelastic markets and single-family's ownership focus, as discussed earlier.
 - 3. Incorporate AMI Targets
 - Method: Add years for lower AMI categories to prioritize affordability where need is greatest: +10 years for 0–50% AMI, +5 years for 50–80% AMI, no adjustment for 80–120% AMI.
 - Implementation:
 - \$500,000 multifamily, 50% AMI: 35 years ($25 + 10$)
 - \$500,000 single-family, 80% AMI: 20 years (no adjustment)
 - Why: Aligns with equity goals, ensuring lower-income residents get longer protections.
 - 4. Flexibility Mechanisms
 - Method: Standardize emergency clauses across all periods (e.g., 2-year waivers, 50% equity release in crises), scaled to funding (e.g., larger subsidies unlock bigger relief funds).
 - Implementation:
 - \$2 million project: 50-year term, \$50,000 disaster grant
 - \$200,000 project: 15-year term, \$10,000 grant
 - Why: Ensures adaptability to extenuating circumstances without negating funding-based logic.
 - 5. Cap and Review Periods
 - Method: Cap restrictions at 99 years for practicality, with mandatory reviews (e.g., every 20 years) to adjust terms based on market shifts or project success.
 - Implementation: A \$10 million multifamily project starts at 99 years, reviewed at year 20 to extend or reduce.
 - Why: Prevents perpetual over-restriction and adapts to changing needs.
-

Should Housing Type Be Considered?

Yes, housing type should be considered when linking deed-restriction length to funding, for these reasons:

1. Cost and Scale Differences
 - Reason: Multifamily projects require larger investments (e.g., \$5 million) for construction and maintenance, justifying longer terms (e.g., 50–99 years) to match their scale and public benefit. Single-family homes, with smaller subsidies (e.g., \$100,000), align with shorter terms (e.g., 10–30 years).
 - Example: A \$2 million multifamily grant gets 60 years; a \$200,000 single-family grant gets 15 years.
2. Market Role and Pressure
 - Reason: Multifamily homes in dense, gentrifying areas need extended protections to preserve rental stock; single-family homes face less pressure and serve owners who value flexibility.
 - Example: A multifamily unit near a job center gets 75 years; a suburban single-family home gets 25 years.

3. Resident Demographics

- Reason: Multifamily often houses renters (e.g., low-income, essential workers) needing long-term affordability; single-family homes attract owners who may seek equity sooner.
 - Example: A multifamily project at 50% AMI gets 50 years; a single-family at 80% AMI gets 20 years.
-

Risks and Mitigation

- *Risk: Overly long terms for high funding discourage developers; short terms for low funding lose affordability.
 - Mitigation: Offer tiered incentives (e.g., tax credits) to offset long terms and extend base periods for low-funded projects in high-need areas.
 - *Risk: Ignoring type leads to mismatch (e.g., short-term multifamily loses units fast).
 - Mitigation: Use type-specific multipliers to ensure alignment.
-

Recommendation: Proportional with Type Adjustment

The length of deed restrictions should partially correspond to government funding to reflect public investment, but must consider housing type and AMI targets for precision. Implement via:

- A funding-to-duration ratio (e.g., 10 years base, +1 year per \$100,000).
- Type adjustments (multifamily: longer via 1.5x multiplier; single-family: shorter via 0.75x).
- AMI bonuses (e.g., +10 years for 0–50% AMI).
- Uniform flexibility (e.g., waivers, relief funds scaled to funding).

Example Policy:

- \$3 million multifamily, 50% AMI: 70 years ($40 \times 1.5 + 10$).
- \$300,000 single-family, 100% AMI: 15 years (20×0.75).

This balances taxpayer value with housing needs, adapts to multifamily and single-family roles, and ensures equity and resilience in inelastic markets or crises.

What deed-restriction time periods would you recommend the Council consider?

Recommending deed restriction time periods requires balancing affordability, homeowners' equity needs, and the need for developer incentives to build affordable housing. Developers often prioritize market-rate projects due to higher profits, especially in inelastic markets where construction costs and regulatory hurdles are high. Without incentives, they may avoid affordable housing, undermining supply goals. Incorporating this factor into the time period framework ensures that restrictions encourage developer participation while meeting affordability and equity objectives. Below, I'll revise the recommendation to include developer incentives, drawing on prior discussions about inelasticity, housing type, AMI, funding, and extenuating circumstances.

Recommended Deed Restriction Time Periods with Equity and Developer Incentives

The framework proposes a tiered structure with a baseline period, adjusted by housing type, AMI, funding, and moderated to incentivize developers, while ensuring homeowners build equity and affordability persists. Here's the updated proposal:

1. Baseline Time Period

- Default Starting Point: 15 years
 - Why: A 15-year baseline balances affordability (long enough to counter gentrification in inelastic markets) with equity (short enough for homeowners to gain wealth post-restriction) and developer appeal (not overly restrictive, encouraging participation). It aligns with typical mortgage terms and offers a manageable commitment for builders.
 - Equity Impact: Owners gain \$30,000–\$50,000 in appreciation (3–5% annually on a \$200,000 home) after 15 years.
 - Developer Incentive: Shorter base periods signal lower risk, making affordable projects more attractive than perpetual or 30-year defaults.

2. Adjustments by Housing Type

- Multifamily Homes: 20–40 years (base +5 to +25 years)
 - Reasoning: Multifamily units serve renters or condo owners in dense, high-cost areas, needing longer affordability to offset inelasticity and gentrification. However, capping at 40 years (down from 45) avoids deterring developers who fear long-term profit caps, especially for large-scale projects.
 - Equity Impact: Condo owners accrue 25–50% of appreciation (e.g., \$50,000 on \$200,000 gain over 20 years), balancing with renter stability.
 - Developer Incentive: Moderate terms (20–40 years) paired with incentives (e.g., tax credits, density bonuses) make multifamily viable vs. market-rate alternatives.
 - Example: A multifamily project at 60% AMI gets 25 years with a density bonus.
- Single-Family Homes: 10–20 years (base -5 to +5 years)
 - Reasoning: Single-family homes target owners needing equity, and shorter terms (10–20 years) suit their stability and mobility goals while appealing to developers wary of long restrictions on smaller-scale projects.
 - Equity Impact: Owners gain \$30,000–\$60,000 over 15 years, with early market-rate access.
 - Developer Incentive: Short durations reduce risk, and incentives like expedited permits or subsidies boost profitability.
 - Example: A single-family home at 80% AMI gets 15 years with a \$50,000 subsidy.

3. Adjustments by AMI Category

- 0–50% AMI (Low-Income): +5 years
 - Reasoning: Low-income households need extended affordability, but a +5 adjustment (20–25 years total) ensures protection without overly limiting equity or scaring off developers with excessive terms.
 - Equity Impact: Owners accrue modest gains (e.g., \$20,000 over 20 years) with sharing options.
 - Developer Incentive: Paired with larger subsidies (e.g., LIHTC), a 25-year max encourages low-income projects.
 - Example: A 50% AMI single-family home gets 20 years (15 + 5).
- 50–80% AMI (Moderate-Income): +2 years

- Reasoning: Moderate-income (e.g., essential workers) need support but can transition to market rates sooner, so +2 (17–22 years total) balances affordability, equity, and developer feasibility.
 - Equity Impact: Owners gain \$35,000–\$70,000 over 17 years.
 - Developer Incentive: Shorter terms with moderate incentives (e.g., tax abatements) attract builders.
 - Example: A 60% AMI multifamily gets 22 years (20 + 2).
- 80–120% AMI (Middle-Income): No adjustment
 - Reasoning: Middle-income households need less protection, so the baseline (10–20 years) maximizes equity and developer willingness to build without heavy subsidies.
 - Equity Impact: Full \$30,000–\$50,000 gain post-10 years.
 - Developer Incentive: Minimal restrictions encourage market-near projects with light incentives.
 - Example: A 100% AMI home stays at 15 years.

4. Adjustments by Government Funding

- Low Funding (\$0–\$500,000): No adjustment
 - Reasoning: Small subsidies don't justify long terms that could deter developers or limit equity; the baseline suffices.
 - Example: A \$200,000 single-family grant stays at 15 years.
- Moderate Funding (\$500,001–\$2 million): +5 to +10 years
 - Reasoning: Mid-level funding warrants extended affordability but caps at +10 (20–30 years total) to maintain developer interest and equity potential.
 - Equity Impact: Delays full gains but allows partial accrual.
 - Developer Incentive: Paired with grants or fee waivers, moderate terms remain profitable.
 - Example: A \$1 million multifamily gets 30 years (20 + 10).
- High Funding (\$2 million+): +15 to +25 years (capped at 50 years, down from 60)
 - Reasoning: Large subsidies demand significant public benefit, but a 50-year cap ensures developers see a finite horizon, and owners can eventually access equity.
 - Equity Impact: Owners gain \$50,000–\$100,000 over 30–40 years with sharing.
 - Developer Incentive: High funding comes with tax credits, land discounts, or expedited approvals to offset longer terms.
 - Example: A \$5 million multifamily gets 45 years (20 + 25).

5. Maximum Cap

- Cap at 50 Years (Reduced from 60):
 - Reasoning: A 50-year cap ensures long-term affordability for major investments while allowing developers a clear exit and homeowners (or heirs) eventual full equity, aligning with a working lifetime.
 - Example: A heavily funded, low-income multifamily hits 50 years.

6. Equity and Developer Incentive Mechanisms

- Equity-Sharing During Restriction: Owners accrue 25–50% of appreciation annually (e.g., 2% of 4% gain), claimable at resale or hardship withdrawal (up to 50% of total equity, e.g., \$25,000 on \$50,000).
 - Why: Ensures equity growth, addressing homeowner needs.
- Developer Incentives:
 - Tax Credits: Scale with funding (e.g., 9% LIHTC for \$2 million+ projects).
 - Density Bonuses: Extra units for multifamily (e.g., 20% more units for 25-year terms).
 - Fee Waivers/Expedited Permits: For single-family or moderate funding (e.g., \$10,000 savings).
 - Land Discounts: Public land at below-market rates for longer terms.
 - Why: Offsets profit loss from restrictions, encouraging affordable builds.
- Emergency Waivers: 2-year suspension for crises, with market-rate sale option if unfeasible to rebuild, proceeds reinvested.
- Review Period: Reassess every 15 years to adjust terms or incentives.

Specific Recommendations

1. Multifamily, 0–50% AMI, \$3 million funding: 45 years (15 base + 20 multifamily + 5 AMI + 15 funding).
 - Equity: Condo owners gain 25% of \$200,000 appreciation (\$50,000 over 20 years).
 - Incentive: 9% tax credit + density bonus.
 2. Single-Family, 50–80% AMI, \$500,000 funding: 17 years (15 base + 0 single-family + 2 AMI + 0 funding).
 - Equity: \$35,000–\$70,000 gain post-17 years.
 - Incentive: \$50,000 grant + permit waiver.
 3. Multifamily, 80–120% AMI, \$1 million funding: 30 years (15 base + 15 multifamily + 0 AMI + 10 funding).
 - Equity: 50% of \$150,000 gain (\$75,000 over 25 years).
 - Incentive: 4% tax credit + land discount.
 4. Single-Family, 80–120% AMI, \$100,000 funding: 10 years (15 base - 5 single-family + 0 AMI + 0 funding).
 - Equity: Full \$30,000–\$50,000 post-10 years.
 - Incentive: Expedited permitting.
-

Rationale and Tie-Ins

- Equity Need (Prior Q): Shorter baselines (15 years) and caps (50 years) with equity-sharing ensure homeowners build \$30,000–\$100,000 over 10–20 years, critical for wealth creation.
 - *Developer Incentives: Incentives like tax credits and density bonuses offset longer terms (e.g., 45 years for multifamily), making affordable projects competitive with market-rate builds in inelastic markets.
 - Affordability (Prior Q): Longer multifamily terms (20–40 years) and AMI adjustments (+5 for low-income) maintain access, balanced with equity and developer needs.
 - Housing Type (Prior Q): Multifamily's longer durations suit rental stability and costs; single-family's shorter terms fit ownership and equity.
 - Funding (Prior Q): Proportional increases (+5 to +25 years) tie to investment, moderated for developer appeal.
 - Extenuating Circumstances (Prior Q): Waivers and equity releases protect owners in crises.
-

Implementation

- Formula: Base (15) + Type (-5 to +20) + AMI (0 to +5) + Funding (0 to +25), cap at 50, with equity-sharing (25–50%) and incentives.
- Oversight: Housing authorities pair restrictions with developer benefits (e.g., LIHTC applications).
- Funding: Federal (e.g., HUD), state, or local sources for subsidies and incentives.
- Education: Inform developers and buyers of equity and incentive structures.

Real-World Context

- LIHTC: 30–55-year terms with tax credits incentivize multifamily; this adapts with shorter caps and equity options.
 - Austin, TX: Shorter-term single-family programs (10–20 years) with density bonuses show developer-friendly models.
-

Conclusion

The government should adopt a 15-year baseline, adjusted to 20–40 years for multifamily and 10–20 years for single-family, with +2 to +5 years for lower AMI, +5 to +25 years for funding, capped at 50 years, featuring 25–50% equity-sharing and developer incentives (tax credits, density bonuses). This ensures affordability, lets homeowners build equity (e.g., \$30,000–\$100,000), and motivates developers to build affordable housing in inelastic markets, with flexibility for crises.

As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands: Do longer deed restrictions and 99-year leases prevent homeowners from taking out home equity loans?

Longer deed restrictions and the 99-year lease model, such as that used by the Department of Hawaiian Home Lands (DHHL), can indeed impact homeowners' ability to take out home equity loans, though the extent depends on the specific terms, lender policies, and the nature of ownership rights. Both mechanisms aim to preserve affordability and restrict market-rate speculation, but they introduce constraints that affect equity access. Below, I'll analyze how these restrictions influence home equity loans, drawing on prior discussions about deed restrictions, equity-building, and government policies, and compare them to the DHHL's 99-year lease model.

How Longer Deed Restrictions Affect Home Equity Loans

Deed restrictions typically cap resale values, limit improvements, or impose occupancy rules to maintain affordability over extended periods (e.g., 20–50 years, as recommended earlier). These features can hinder home equity loans in the following ways:

1. Restricted Appreciation and Equity Value
 - Impact: Many deed restrictions limit resale prices (e.g., tied to AMI or inflation), capping the home's market value even if surrounding properties appreciate. Lenders base home equity loans on the property's current market value, so a restricted value reduces the equity available to borrow against.
 - Example: A \$200,000 home with a 40-year restriction might be capped at \$250,000 resale value after 20 years, while unrestricted neighbors hit \$400,000. A lender might offer a \$20,000 loan instead of \$100,000 based on the restricted equity (\$50,000 vs. \$200,000).

- Longer Duration Effect: A 50-year term (vs. 15 years) delays market-rate appreciation longer, further limiting equity and loan potential during the restriction period.
 - 2. Lender Hesitancy Due to Resale Constraints
 - Impact: Restrictions shrink the pool of eligible buyers (e.g., income-qualified only), reducing marketability if the lender needs to foreclose. Banks may see this as higher risk, denying loans or offering smaller amounts with stricter terms (e.g., higher interest rates).
 - Example: A 30-year restriction requiring buyers below 80% AMI might deter lenders worried about resale delays in a default scenario.
 - Longer Duration Effect: A 50-year term increases perceived risk vs. a 20-year term, as the restriction persists longer, amplifying lender caution.
 - 3. Limits on Improvements
 - Impact: Some restrictions ban major upgrades (e.g., adding bedrooms) to keep taxable values low, limiting equity growth from renovations. Home equity loans often rely on increased value from improvements, so this constraint reduces borrowing capacity.
 - Example: A homeowner can't add a \$30,000 addition to boost value from \$200,000 to \$250,000, capping loan eligibility at the original equity.
 - Longer Duration Effect: A 40-year ban on improvements locks in lower equity longer than a 15-year term.
 - 4. Equity Access During Restriction
 - Impact: Without mechanisms like equity-sharing (e.g., 25–50% of appreciation, as proposed earlier), owners can't tap accrued equity until the restriction ends, blocking loans mid-term.
 - Example: A 25-year restriction with no mid-term release keeps a \$50,000 gain inaccessible until year 25.
 - Longer Duration Effect: A 50-year term delays access further, potentially spanning an owner's lifetime.
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How the 99-Year Lease Model (DHHL) Affects Home Equity Loans

The DHHL administers the Hawaiian Home Lands program, leasing land to Native Hawaiian beneficiaries for 99 years (renewable) at nominal rates (e.g., \$1/year), while homeowners own the improvements (e.g., house). This leasehold model, designed to preserve land for future generations and ensure affordability, significantly restricts equity loans due to its structure:

1. Leasehold vs. Fee Simple Ownership
 - Impact: Homeowners don't own the land, only the house, reducing the property's total value for lenders. Equity loans typically require fee simple ownership (land + house) as collateral, so leasehold properties are less appealing. Lenders may limit loans to the house's value, excluding land equity.
 - Example: A \$300,000 fee simple home might secure a \$100,000 loan, but a \$200,000 house on leased land might only get \$50,000, reflecting the leasehold discount.
 - 99-Year Effect: The long lease term doesn't mitigate this; lenders focus on ownership type, not duration, and the remaining lease term (e.g., 50 years left) may still be too short for some.
2. Lender Risk Perception
 - Impact: The 99-year lease introduces uncertainty—lenders worry about lease expiration (despite renewability), government oversight, or restrictions on transferring the lease (e.g., to Native Hawaiians only). This increases perceived risk, leading to loan denials or smaller amounts.
 - Example: A bank might reject a loan if foreclosure would limit resale to DHHL-eligible buyers, reducing marketability.
 - 99-Year Effect: The extended term offers theoretical stability, but lenders focus on immediate risks, not the full 99 years.

3. Limited Appreciation Control

- Impact: DHHL leases often restrict resale to other beneficiaries at controlled prices (e.g., original cost plus improvements), capping appreciation. This mirrors deed restrictions, limiting equity available for loans.
- Example: A \$150,000 home might only be worth \$180,000 after 20 years under DHHL rules, vs. \$300,000 market-rate, shrinking loan potential.
- 99-Year Effect: The long duration locks in this cap for decades, delaying full equity realization beyond most owners' lifetimes.

4. Improvement-Based Equity Constraints

- Impact: Equity is tied to the house, not land, and DHHL may limit major upgrades to preserve affordability or land use goals. This caps value growth, reducing loanable equity.
 - Example: A \$100,000 house can't expand significantly, limiting equity to \$120,000 vs. \$200,000 with land value.
 - 99-Year Effect: The prolonged restriction amplifies this limitation over time.
-

Comparison: Deed Restrictions vs. 99-Year Leases

- Commonality: Both impose long-term controls (e.g., 20–50 years vs. 99 years) that cap value, restrict resale, and deter lenders, hindering equity loans by limiting collateral and marketability.
 - Differences:
 - Ownership: Deed restrictions apply to fee simple properties, offering more equity potential than DHHL's leasehold model, where land isn't owned.
 - Flexibility: Deed restrictions can include equity-sharing or mid-term releases (e.g., 25–50% appreciation), while DHHL's 99-year leases rarely allow such access, focusing on land preservation over homeowner wealth.
 - Duration Impact: A 50-year deed restriction delays equity loans but ends within a lifetime; a 99-year lease often exceeds it, making loans harder throughout.
-

Do They Prevent Equity Loans?

- Longer Deed Restrictions (20–50 years):
 - Not Fully Prevented: Loans are possible but constrained—smaller amounts, fewer willing lenders, higher rates—due to capped values and resale limits. A 50-year term exacerbates this vs. 20 years by prolonging restrictions.
 - Mitigation (from Prior):* Equity-sharing (e.g., 25% of gains annually) or mid-term releases (e.g., 50% after 10 years) can unlock loanable equity, though lenders may still hesitate.
 - 99-Year Leases (DHHL):
 - Largely Prevented: Loans are rare and limited—most lenders avoid leasehold properties, and those that do offer minimal amounts based on house value alone, not land. The 99-year term doesn't offset the ownership gap.
 - Mitigation: DHHL could partner with state-backed lenders or allow limited equity access, but this conflicts with the program's land retention goal.
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Real-World Context

- Deed Restrictions: In Boulder, CO, 30-year restricted homes struggle with equity loans due to resale caps, but some owners secure small loans with local credit unions familiar with the program.
 - DHHL: Native Hawaiian beneficiaries report difficulty getting equity loans; few lenders (e.g., First Hawaiian Bank) offer leasehold mortgages, often at 20–50% of fee simple loan values, reflecting the 99-year lease's constraints.
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Conclusion

Longer deed restrictions (20–50 years) and 99-year leases like DHHL's don't outright prevent home equity loans but significantly restrict them by capping value, limiting marketability, and deterring lenders. Deed restrictions pose a moderate barrier, eased by shorter terms (e.g., 15–20 years) or equity-sharing (e.g., 25–50%), while DHHL's leasehold model poses a severe one due to land ownership limits, with the 99-year term offering little relief. For deed restrictions, I'd still recommend 15-year baselines (10–20 single-family, 20–40 multifamily) with equity options to balance affordability and loan access; for DHHL, state-backed loan programs could help, though equity remains secondary to land preservation.

Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing?

Yes, longer deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands (DHHL) can make it more difficult for potential homeowners to secure financing—specifically mortgages or initial purchase loans—due to constraints on property value, resale marketability, and lender risk perception. These challenges stem from the mechanisms' focus on preserving affordability and, in DHHL's case, land for future generations, which often clash with traditional lending criteria. Below, I'll analyze how these restrictions affect financing, compare their impacts, and tie this to prior discussions on equity, developer incentives, and housing policy.

How Longer Deed Restrictions Affect Financing

Deed restrictions, such as those lasting 20–50 years (as recommended earlier), impose conditions like resale price caps, income-based buyer restrictions, or improvement limits to ensure long-term affordability. These features complicate securing a mortgage in the following ways:

1. Capped Property Value and Loan-to-Value (LTV) Ratios
 - Impact: Resale price caps (e.g., tied to AMI or inflation) limit the home's future market value, reducing the collateral's worth in lenders' eyes. Banks calculate LTV ratios based on appraised value, so a restricted ceiling lowers the loan amount they're willing to offer.
 - Example: A \$200,000 home with a 40-year restriction might be capped at \$250,000 resale value after 20 years, while unrestricted homes hit \$400,000. A lender might cap the mortgage at \$200,000 (80% of \$250,000) instead of \$320,000 (80% of \$400,000).
 - Longer Duration Effect: A 50-year term vs. 20 years extends this cap further, shrinking loan potential over a longer horizon and increasing lender caution.
2. Restricted Resale Marketability
 - Impact: Limits on eligible buyers (e.g., 80% AMI or essential workers) shrink the resale pool, raising concerns about foreclosure recovery. Lenders fear delays or losses if they

must sell a restricted property, leading to stricter terms, higher down payments, or outright denials.

- Example: A 30-year restriction requiring income-qualified buyers might prompt a bank to demand a 20% down payment (\$40,000 on \$200,000) vs. 10% (\$20,000) for an unrestricted home.
- Longer Duration Effect: A 50-year term heightens this risk vs. 15 years, as the restriction persists longer, amplifying lender hesitancy.

3. Perceived Risk and Lender Policies

- Impact: Longer restrictions signal higher risk—banks may view them as less liquid assets due to compliance burdens (e.g., oversight by housing authorities) or potential legal disputes over violations. This can exclude buyers from conventional loans, pushing them to niche lenders with higher rates.
- Example: A 40-year restricted home might only qualify for a local credit union loan at 5% interest, vs. a 3.5% conventional rate for an unrestricted property.
- Longer Duration Effect: A 50-year term increases perceived risk more than a 20-year term, narrowing lender options further.

4. Improvement Constraints

- Impact: Bans on major upgrades to maintain affordability limit value growth, reducing the property's appeal as collateral. Lenders prefer homes with potential for appreciation, so this can lower loan approval odds or amounts.
- Example: A \$200,000 home restricted for 30 years can't add a \$30,000 extension, keeping its value static and loan ceiling low.
- Longer Duration Effect: A 50-year ban vs. 15 years prolongs this limitation, further dampening financing prospects.

How the 99-Year Lease Model (DHHL) Affects Financing

The DHHL's 99-year lease model leases land to Native Hawaiian beneficiaries for \$1/year, with homeowners owning the improvements (house) but not the fee simple title to the land. This leasehold structure, aimed at preserving land affordability and cultural access, poses significant financing barriers:

1. Leasehold Ownership Reduces Collateral Value

- Impact: Lenders prefer fee simple properties (land + house) as collateral. With DHHL, the land isn't owned, so loans are based solely on the house's value, which is lower and depreciates over time (unlike land, which typically appreciates). This slashes the mortgage amount offered.
- Example: A \$300,000 fee simple home might secure a \$240,000 loan (80% LTV), but a \$200,000 house on a DHHL lease might only get \$120,000, reflecting the leasehold discount.
- 99-Year Effect: The long term provides theoretical stability, but lenders focus on ownership type, not duration, and the remaining lease (e.g., 70 years left) may still be too short for 30-year mortgages.

2. Restricted Resale and Transferability

- Impact: DHHL leases limit resale to other Native Hawaiian beneficiaries at controlled prices (e.g., original cost plus improvements), severely narrowing the buyer pool and capping value. Lenders see this as a foreclosure risk, often refusing conventional loans or requiring larger down payments.
- Example: A bank might demand a 25% down payment (\$50,000 on \$200,000) due to limited resale options, vs. 5% (\$15,000 on \$300,000) for fee simple.
- 99-Year Effect: The extended restriction amplifies this issue, as the resale cap persists for decades, unlike shorter deed restrictions that expire sooner.

3. Lender Risk and Limited Market

- Impact: The leasehold model, combined with DHHL oversight and renewal uncertainties (despite 99-year renewability), makes lenders wary. Most conventional lenders (e.g., Fannie Mae, Freddie Mac) avoid leasehold properties, forcing buyers to niche lenders like local banks or credit unions with higher rates or stricter terms.
- Example: A DHHL home might secure a 5.5% loan from a Hawaiian bank vs. a 3.5% FHA loan for an unrestricted home.
- 99-Year Effect: The long duration doesn't offset this; lenders focus on immediate risks, and the 99-year horizon exceeds typical loan terms (15–30 years), adding complexity.

4. Improvement-Based Value Limits

- Impact: Equity and loan value are tied to the house, not land, and DHHL may restrict major upgrades to maintain affordability or land use goals. This caps appreciation, reducing the collateral's appeal and loan size.
 - Example: A \$150,000 house on a DHHL lease might grow to \$180,000 over 20 years, vs. \$300,000 fee simple, limiting mortgage eligibility.
 - 99-Year Effect: The prolonged term locks in this constraint, delaying full value realization beyond most buyers' timelines.
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Comparison: Deed Restrictions vs. 99-Year Leases

- Commonality: Both longer deed restrictions (e.g., 20–50 years) and 99-year leases restrict value growth, resale options, and marketability, making financing harder by reducing collateral worth and increasing lender risk.
 - Differences:
 - Ownership: Deed restrictions apply to fee simple properties, offering more value potential and lender familiarity than DHHL's leasehold model, where land ownership is absent.
 - Duration Impact: A 50-year deed restriction delays financing ease but ends within a lifetime, potentially easing lender concerns later; a 99-year lease's perpetual-like term offers no near-term relief, with leasehold risks persisting.
 - Flexibility: Deed restrictions can include shorter terms (e.g., 15 years) or resale flexibility, while DHHL's 99-year model is rigid, prioritizing land retention over financing access.
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Do They Make Financing More Difficult?

- Longer Deed Restrictions (20–50 years):
 - Yes, Moderately: Financing is harder—lower loan amounts, higher down payments, fewer lenders—due to capped values and resale limits. A 50-year term exacerbates this vs. 15 years by prolonging restrictions, but fee simple ownership mitigates some risk compared to leases.
 - Mitigation (from Prior):* Shorter terms (e.g., 10–20 years for single-family), equity-sharing (25–50%), or partnerships with local lenders familiar with restrictions can improve access.

- 99-Year Leases (DHHL):
 - Yes, Significantly: Financing is much harder—limited to niche lenders, smaller loans, higher rates—due to leasehold status, resale caps, and restricted buyer pools. The 99-year term offers stability but doesn't offset ownership or marketability issues.
 - Mitigation: DHHL could partner with state-backed lenders (e.g., Hawaii Housing Finance Authority) or offer loan guarantees, though this conflicts with land preservation goals.
-

Real-World Context

- Deed Restrictions: In Montgomery County, MD, 30-year restricted homes see buyers using local banks or FHA loans with higher down payments (e.g., 10–15% vs. 3.5%), reflecting moderate financing hurdles.
 - DHHL: Native Hawaiian beneficiaries often struggle to secure mortgages; only a few lenders (e.g., Bank of Hawaii) offer leasehold loans, typically at 20–30% lower LTV ratios and 1–2% higher rates than fee simple, with many relying on cash or family support.
-

Conclusion

Longer deed restrictions (20–50 years) and 99-year leases like DHHL's make financing more difficult by capping value, restricting resale, and deterring conventional lenders. Deed restrictions pose a moderate challenge, eased by shorter terms (e.g., 10–20 years single-family, 20–40 multifamily, as recommended) and fee simple status, while DHHL's 99-year lease poses a severe one due to leasehold ownership and rigid controls, with little relief from its duration. For deed restrictions, I'd stick with 15-year baselines adjusted for type, AMI, and funding, with developer incentives and equity options to boost financing odds; for DHHL, state-backed lending programs could help, though the model inherently prioritizes land over loans.

Can deed restrictions and 99-year leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home?

Yes, deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands (DHHL) can specify that owners are not restricted from refinancing their mortgage or borrowing against the equity in their home, provided the terms are explicitly designed to allow such actions. However, whether this is feasible—or aligns with the goals of affordability, land preservation, and equity—depends on how the restrictions or leases are structured, the willingness of lenders to participate, and the legal and policy framework in place. Below, I'll explore this possibility for both models, their implications, and practical considerations, building on prior discussions about financing, equity loans, and housing policy.

Can Deed Restrictions Specify No Restrictions on Refinancing or Equity Borrowing?

Deed restrictions are legal agreements tied to a property's title, typically aimed at preserving affordability through resale price caps, buyer eligibility limits, or improvement restrictions (e.g., 10–50 years, as recommended earlier). They can include provisions to permit refinancing and equity borrowing, but this requires careful design to avoid undermining their purpose.

Feasibility

1. Explicit Permission in Terms

- How: The deed restriction can include a clause stating that owners may refinance their mortgage or obtain home equity loans without violating the affordability covenant, as long as the property remains subject to existing resale and use restrictions.
- Example Clause: “The owner may refinance the mortgage or borrow against equity, provided the total lien does not exceed the restricted resale value and the property remains occupied by an eligible household.”
- Outcome: Allows owners to tap equity (e.g., for repairs, debt consolidation) or lower mortgage rates without altering the affordability goal.

2. Equity Borrowing Within Limits

- How: Specify that equity loans are permitted up to a percentage of the restricted value (e.g., 80% of the capped resale price) or accrued appreciation (e.g., 25–50%, as proposed earlier), ensuring the home stays affordable for future buyers.
- Example: A \$200,000 home with a 30-year restriction caps at \$250,000 resale; the owner can borrow \$40,000 (80% of \$50,000 equity) without affecting the cap.
- Outcome: Balances homeowner flexibility with long-term affordability.

3. Lender Acceptance

- How: The restriction must reassure lenders that foreclosure won't void the resale cap or buyer eligibility, but the property remains viable collateral. This might require government-backed guarantees or partnerships with local banks familiar with restricted properties.
- Example: A city partners with credit unions to offer refinancing at 4% for a 20-year restricted home, accepting the \$250,000 cap as collateral.
- Outcome: Encourages lending despite restrictions.

Implications

- Positive: Enhances homeowner financial flexibility—e.g., refinancing from 5% to 3% saves \$200/month on a \$200,000 loan, or a \$20,000 equity loan funds repairs—supporting equity-building (a prior concern).
- Negative: Could increase debt levels, risking foreclosure if owners over-borrow, potentially reducing affordable stock if lenders sell at market rates post-default (unless reversion clauses apply).
- Longer Duration Effect: A 50-year term vs. 15 years delays full equity access, but explicit permissions mitigate this by allowing mid-term borrowing, though lenders may still limit amounts due to prolonged restrictions.

Practical Considerations

- Legal Drafting: Must clarify that refinancing/equity loans don't trigger penalties or alter restrictions, avoiding ambiguity.
 - Lender Risk: Banks may still hesitate due to resale caps (e.g., 80% AMI buyers only), requiring incentives like loan guarantees or secondary markets for restricted mortgages.
 - Equity Balance: Caps on borrowing (e.g., 50% of equity) prevent over-leveraging, preserving affordability.
-

Can 99-Year Leases (DHHL) Specify No Restrictions on Refinancing or Equity Borrowing?

The DHHL's 99-year lease model leases land to Native Hawaiian beneficiaries at \$1/year, with owners holding title to the improvements (house) but not the land. While the lease can permit refinancing and equity borrowing, the leasehold structure and DHHL's land preservation goals create unique challenges.

Feasibility

1. Explicit Permission in Lease Terms

- How: The lease agreement could include a provision allowing refinancing or equity loans based on the house's value, without altering the lease's affordability or transfer restrictions (e.g., to Native Hawaiians only).
- Example Clause: "Lessees may refinance their mortgage or borrow against the equity of improvements, provided the lease remains in effect and resale adheres to DHHL guidelines."
- Outcome: Enables owners to lower payments (e.g., from 5.5% to 4%) or access cash (e.g., \$20,000 for a \$100,000 house), supporting financial stability.

2. Equity Borrowing Within Leasehold Limits

- How: Specify that loans are tied to the house's value (excluding land), with a cap (e.g., 80% of improvement equity) to reflect leasehold constraints. DHHL could allow modest appreciation or improvement-based equity.
- Example: A \$150,000 house on a DHHL lease grows to \$180,000; the owner borrows \$24,000 (80% of \$30,000 equity).
- Outcome: Provides limited equity access without compromising land retention.

3. Lender Acceptance

- How: DHHL could partner with state-backed lenders (e.g., Hawaii Housing Finance Authority) or offer loan guarantees to offset leasehold risks, ensuring refinancing and equity loans are viable despite no land ownership.
- Example: A DHHL lessee refinances a \$120,000 mortgage at 4.5% through a local bank, backed by a state guarantee.
- Outcome: Expands financing options within the 99-year framework.

Implications

- Positive: Improves homeowner flexibility—e.g., refinancing saves \$150/month on a \$150,000 loan, or a \$15,000 equity loan funds education—aligning with equity goals despite leasehold limits.
- Negative: Risks over-borrowing, with foreclosure leaving DHHL to reclaim a debt-laden house, potentially disrupting affordability. Lenders may still balk at leasehold collateral, even with permissions.
- 99-Year Effect: The long term offers stability, but the leasehold status, not duration, drives lender reluctance, making explicit permissions less effective without support.

Practical Considerations

- Lease Design: Must clarify that refinancing/equity loans don't void the lease or resale rules, requiring DHHL approval for lien increases.
- Lender Risk: Leasehold properties are niche; without state-backed programs, conventional lenders (e.g., Fannie Mae) may refuse, limiting impact.
- Land Goal Conflict: Allowing equity loans could encourage market-like behavior, clashing with DHHL's focus on land preservation over wealth-building.

Comparison: Deed Restrictions vs. 99-Year Leases

- Commonality: Both can specify no restrictions on refinancing or equity borrowing by including explicit clauses, but lender willingness hinges on perceived value and resale risks.
- Differences:

- Ownership: Deed restrictions apply to fee simple properties, making refinancing and equity loans more lender-friendly than DHHL's leasehold model, where land isn't collateral.
 - Flexibility: Deed restrictions can cap borrowing at restricted values (e.g., 80% of \$250,000) with equity-sharing, while DHHL's 99-year leases limit loans to house value (e.g., \$150,000), with less flexibility due to land retention goals.
 - Duration Impact: A 50-year deed restriction delays full equity but allows mid-term borrowing with permissions; a 99-year lease's length doesn't ease leasehold barriers.
-

Can They Specify This?

- Deed Restrictions (20–50 years):
 - Yes, Effectively: They can permit refinancing and equity loans by setting clear rules (e.g., borrowing up to 50% equity or restricted value), especially with shorter terms (e.g., 10–20 years single-family, 20–40 multifamily, as recommended). Lender acceptance improves with fee simple status and local partnerships.
 - Example: A 15-year restricted home allows a \$30,000 equity loan on \$60,000 gain, supported by a city-backed lender.
 - 99-Year Leases (DHHL):
 - Yes, Theoretically: They can allow it via lease clauses, but effectiveness is limited by leasehold risks—lenders focus on house-only collateral and resale caps, often requiring state intervention (e.g., loan guarantees).
 - Example: A DHHL lessee refinances a \$120,000 loan at 5% with state backing, but equity loans remain small (\$20,000 max).
-

Real-World Context

- Deed Restrictions: In Boulder, CO, some 30-year restricted homes allow refinancing through local banks familiar with caps, though equity loans are smaller (e.g., 50% of restricted value).
 - DHHL: Beneficiaries can refinance with niche lenders (e.g., First Hawaiian Bank), but equity loans are rare without DHHL-specific programs, reflecting 99-year lease constraints.
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Conclusion

Deed restrictions and 99-year leases can specify that owners aren't restricted from refinancing or borrowing against equity by including explicit permissions, but practical success varies. Deed restrictions (e.g., 15-year base, 10–40 years adjusted) work better due to fee simple ownership, needing only clear terms and lender buy-in, while DHHL's 99-year leases face steeper hurdles from leasehold status, requiring state-backed solutions to offset limited collateral and marketability. Both need safeguards (e.g., borrowing caps, guarantees) to balance affordability with financial access.

How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? Of those, how many units are still affordable today?

Chapter 2.96 of the Maui County Code, known as the Residential Workforce Housing Policy, was first enacted in 2006 to mandate that developers of projects with 10 or more units provide a percentage of affordable housing (initially 50%, later reduced to 25% in 2014). It aims to ensure housing for residents earning up to 160% of the Area Median Income (AMI), with deed restrictions varying by income group (e.g., 5–10 years initially, though reforms have proposed longer terms). Determining the exact number of affordable units created since its enactment and how many remain affordable today requires specific data from Maui County, which isn't fully detailed in publicly available sources as of March 6, 2025. However, I can provide an informed analysis based on available information and trends, with caveats where data is incomplete.

Affordable Units Created Since Enactment

- **Initial Policy (2006–2014):** When Chapter 2.96 was introduced in 2006, it required 50% of units in qualifying projects to be affordable, with resale restrictions of 25 years for for-sale units and perpetual affordability for rentals. Critics, including developers and housing analysts, noted that this stringent requirement significantly slowed housing production. A 2011 state housing study estimated Maui needed 3,400 new units (2,400 affordable) from 2012–2016, but a HUD market analysis shows only 1,135 units (single-family and multifamily, not all affordable) were built from 2012–2014—about one-third of the need. This suggests that pre-2014, Chapter 2.96 likely produced far fewer than 1,000 affordable units, given the policy's chilling effect on development.
 - **Estimate:** Assuming 25–50% of the 1,135 units were affordable under Chapter 2.96 (due to exemptions and in-lieu fees), roughly 300–600 units may have been created from 2006–2014.
- **Post-2014 Amendment:** In 2014, the requirement dropped to 25% affordable units, with shorter deed restrictions: 10 years for below-moderate (80–100% AMI), 8 years for moderate (100–120% AMI), and 5 years for above-moderate (120–140% AMI). This loosening aimed to spur development. Projects like Ima Ikena Apartments (28 units, 2014) and others cited in community plans (e.g., 5,000-unit goal by Hawaiian Community Assets in 2021) indicate increased activity. However, comprehensive county data is lacking. Stand Up Maui and Maui County reports suggest hundreds of units have been built or planned since 2014 (e.g., Kaulana Mahina's 195 workforce units in 2024, Kihei Wailani's 213 planned units).
 - **Estimate:** From 2014–2025, assuming 10–20 major projects (each averaging 50–200 units, with 25% affordable), 500–1,500 units could have been created, though not all are completed yet.
- **Total Estimate:** Combining both periods, 800–2,100 affordable units may have been created under Chapter 2.96 since 2006. This range reflects the policy's rocky start, partial success post-2014, and ongoing projects, but precise figures require Maui County Department of Housing records, which aren't fully public.

Units Still Affordable Today (March 6, 2025)

The number of units remaining affordable depends on the duration of deed restrictions and enforcement:

- **Pre-2014 Units:** With 25-year restrictions on for-sale units, most from 2006–2010 (e.g., 300–600 units) remain affordable until 2031–2035. Perpetual rental restrictions (if enforced) keep those units affordable indefinitely. Assuming 50% were rentals, 150–300 rentals likely remain affordable, plus 150–300 for-sale units (if not expired or unenforced).
- **Post-2014 Units:** Shorter terms (5–10 years) mean many units have expired or will soon:
 - 5-year restrictions (120–140% AMI) from 2014–2020 expired by 2019–2025 (~20% of units, or 100–300).
 - 8-year restrictions (100–120% AMI) from 2014–2017 expired by 2022–2025 (~50% of units, or 250–750).
 - 10-year restrictions (80–100% AMI) from 2014–2015 expire by 2024–2025 (~30% of units, or 150–450).
 - Units built after 2015 with 5–10-year terms (e.g., 2016–2020) may still be affordable (~300–600 units).

- **Enforcement Gaps:** Critics (e.g., Civil Beat, 2024) note Maui's weak enforcement of buyback options and owner-occupancy rules, suggesting some units may have reverted to market rates despite restrictions.
- **Total Estimate:** Of the 800–2,100 units, 400–1,200 likely remain affordable today, with earlier rentals and recent projects still under restriction, while many post-2014 for-sale units have expired or will soon.

Data Limitations and Caveats

- **Lack of Precise Data:** Maui County doesn't publicly report a comprehensive tally of Chapter 2.96 units or their current status. Estimates rely on partial project data (e.g., Imi Ikena, Kaulana Mahina), policy changes, and secondary analyses (e.g., HUD, Stand Up Maui).
- **Assumptions:** The range assumes 25% compliance post-2014, some pre-2014 rental perpetuity, and variable enforcement. Actual numbers could be lower if in-lieu fees dominated or higher if unreported projects succeeded.
- **Next Steps:** For exact figures, contact the Maui County Department of Housing (as of 2025, they monitor Chapter 2.96) or review annual housing reports post-2006, if available.

Conclusion

Since Chapter 2.96's enactment in 2006, approximately 800–2,100 affordable units have likely been created, reflecting a slow start and modest post-2014 gains. As of March 6, 2025, 400–1,200 units probably remain affordable, with many early rentals and recent projects still restricted, though shorter post-2014 terms have allowed some to lapse. These estimates are provisional—definitive answers require Maui County's internal data, which I can't access here.

How can the County address and support each resident's need to afford a home?

Addressing and supporting each resident's need to afford a home in Maui County requires a multifaceted approach that recognizes the diverse financial realities of its population. The county faces a severe housing crisis, exacerbated by inelastic supply, high demand, and a median single-family home price that soared to \$1.3 million in 2022, far outpacing local wages (e.g., an average household income of around \$88,000 per HUD 2024 data). Chapter 2.96 of the Maui County Code, enacted in 2006 and amended in 2014, has aimed to create affordable units, but its impact—estimated at 800–2,100 units, with 400–1,200 still affordable as of March 6, 2025—falls short of the need (e.g., 14,000+ units by 2030 per the 2021 Comprehensive Affordable Housing Plan). Crucially, not all residents can afford to buy a home, so solutions must encompass both ownership and rental options, tailored to income levels and life circumstances. Here's how Maui County can address this, building on prior discussions about deed restrictions, equity, and financing:

1. Expand and Strengthen Affordable Housing Supply

- **Increase Unit Production:**
 - **Strategy:** Boost the creation of affordable units beyond Chapter 2.96's 25% requirement by incentivizing developers with tax credits, density bonuses, and expedited permits (as recommended earlier). Target 5,000 new units by 2030, per the Comprehensive Plan, with a mix of for-sale and rental options.
 - **Support for Non-Buyers:** Prioritize rentals for those who can't afford ownership (e.g., 50% of units), using perpetual deed restrictions for multifamily projects to lock in affordability for low-income renters (0–50% AMI, ~\$44,000 for a family of four).

- Example: Fund projects like Kaulana Mahina (195 units, 2024) with county grants, ensuring 50% are rentals at \$1,200/month (30% of 50% AMI).
 - Leverage Public Land:
 - Strategy: Use county-owned land (e.g., sites slated for Kihei Wailani's 213 units) for community land trusts (CLTs) or public-private partnerships, reducing land costs and keeping prices/rents low.
 - Support for Non-Buyers: Offer long-term leases (e.g., 99 years, like DHHL) for renters on CLT land, with rents capped at 30% of income (e.g., \$800 for 30% AMI, ~\$26,000).
 - Example: Na Hale O Maui's CLT model has delivered 46 homes since 2006; scale this to 200 units by 2030 with county land donations.
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2. Tailor Solutions to Income Diversity

- Graduated Deed Restrictions:
 - Strategy: Implement my prior recommendation—15-year baseline, 10–20 years for single-family, 20–40 years for multifamily—adjusted by AMI: +5 years for 0–50% AMI, +2 for 50–80% AMI, none for 80–120% AMI. This ensures low-income residents (renters or buyers) get longer affordability, while moderate-income buyers build equity sooner.
 - Support for Non-Buyers: For renters, extend multifamily restrictions to 50 years or perpetuity, as shorter terms (e.g., 5–10 years post-2014) let units lapse too quickly (e.g., 250–750 expired by 2025).
 - Example: A 50% AMI family rents a \$1,000/month apartment with a 50-year restriction, while a 100% AMI buyer owns a \$300,000 home with a 15-year term, gaining \$50,000 equity.
 - Rental Assistance Programs:
 - Strategy: Expand the Section 8 Housing Choice Voucher program (currently aiding 1,200 households) and the Maui County Homeowner Assistance Fund (up to \$2,500/month for past rent) to cover 5,000+ renters unable to buy, targeting 0–80% AMI (\$26,000–\$70,000).
 - Support for Non-Buyers: Fund this via the Affordable Housing Fund (e.g., \$10 million annually), ensuring renters pay no more than 30% of income (e.g., \$650 for a \$26,000 earner).
 - Example: A single parent earning \$30,000 gets a \$1,500 voucher, securing a \$2,000/month unit.
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3. Enhance Financing Access

- Support for Buyers:
 - Strategy: Specify in deed restrictions that owners can refinance or borrow against equity (e.g., up to 50% of restricted value), as discussed earlier, and partner with local banks to offer low-rate mortgages (e.g., 3.5% vs. 5%) for restricted homes.
 - Implementation: Use county-backed loan guarantees to offset lender risk from resale caps, targeting 80–120% AMI buyers (~\$70,000–\$105,000) who can afford ownership.
 - Example: A \$250,000 restricted home with a 15-year term allows a \$40,000 equity loan after 10 years, supported by a Maui credit union.

- Support for Non-Buyers (Renters):
 - Strategy: Subsidize security deposits and first month's rent (e.g., \$2,000–\$3,000) via Maui Economic Opportunity's programs for renters below 50% AMI, reducing upfront barriers.
 - Implementation: Allocate \$5 million annually from the Affordable Housing Fund for 1,000+ households.
 - Example: A \$26,000 earner gets a \$2,500 deposit grant, securing a \$1,000/month rental.
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4. Address Extenuating Circumstances

- Flexible Restrictions:
 - Strategy: Include 2-year emergency waivers in all deed restrictions and leases (as recommended), allowing owners to refinance or sell at market rates post-disaster (e.g., wildfires), with proceeds reinvested in affordable units.
 - Support for Non-Buyers: Offer temporary rent relief (e.g., \$2,000/month for 6 months) for renters displaced by crises, funded by federal aid (e.g., FEMA).
 - Example: A 50% AMI renter gets \$12,000 relief post-fire, staying housed while rebuilding occurs.
 - Resilience Funding:
 - Strategy: Create a \$20 million Disaster Resilience Fund for repairs or rebuilding of restricted units, ensuring owners and renters stay in affordable homes after events like floods or fires.
 - Example: A \$200,000 restricted home gets a \$50,000 grant to rebuild, maintaining affordability.
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5. Incentivize Developer Participation

- Developer Incentives:
 - Strategy: Pair deed restrictions with tax credits (e.g., 9% LIHTC for multifamily), density bonuses (e.g., 20% extra units), and land discounts, as proposed earlier, to offset profit losses from 20–40-year terms.
 - Support for Non-Buyers: Mandate 50% of incentivized units as rentals with 50-year restrictions, targeting 0–80% AMI.
 - Example: A \$5 million multifamily project gets a 25-year term, \$1 million in credits, and builds 100 units (50 rentals at \$1,200/month).
 - Streamlined Permitting:
 - Strategy: Fast-track approvals for 100% affordable projects (e.g., 6 months vs. 2 years), reducing costs and delays in inelastic markets.
 - Example: Kihei Wailani's 213 units move from planning to completion by 2026 with expedited permits.
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Recognizing Not All Can Buy

- *Reality: With a median home price of \$1.3 million and 32% of Maui's 165,000 residents (52,800) renting (per HUD), many—especially those below 80% AMI (~\$70,000)—can't afford ownership. Renters, who make up over half of low-income households, need stable, affordable options, not just pathways to buying.
 - *Dual Focus:
 - Buyers (80–160% AMI, ~\$70,000–\$140,000): Shorter restrictions (10–20 years) with equity-sharing (25–50%) and financing support enable ownership and wealth-building (e.g., \$50,000 equity in 15 years).
 - Renters (0–80% AMI, ~\$26,000–\$70,000): Longer restrictions (20–50 years) on rentals, paired with vouchers and deposit aid, ensure housing without ownership pressure.
 - Example: A \$30,000 earner rents a \$900/month unit (50-year restriction), while a \$90,000 earner buys a \$350,000 home (15-year term).
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Conclusion

Maui County can support each resident's housing needs by expanding affordable supply (5,000 units by 2030, 50% rentals), tailoring deed restrictions (10–20 years for buyers, 20–50 for renters), enhancing financing (loan guarantees for owners, subsidies for renters), addressing crises (waivers, resilience funds), and incentivizing developers (tax credits, fast-tracking). Recognizing that not all can afford to buy, the county must prioritize rentals for low-income residents (0–80% AMI) with perpetual affordability, while offering ownership paths for moderate-income (80–120% AMI) with equity options. This dual approach, rooted in Chapter 2.96's lessons, addresses the crisis holistically—stable rentals for the unable, affordable homes for the able.

Do you have a preferred managed appreciation formula? If so, please explain.

Yes, I have a preferred managed appreciation formula for deed restrictions that balances the goals of maintaining affordability, supporting homeowners' equity-building needs, and ensuring practicality in implementation. This formula is informed by prior discussions about deed restrictions, the Maui County housing context, financing challenges, and the need for developer incentives, while also drawing parallels to models like the 99-year lease used by the Department of Hawaiian Home Lands (DHHL). The key is to allow homeowners to accrue some equity over time—reflecting their investment and market trends—while keeping the home affordable for future buyers in an inelastic market like Maui's. Below, I'll outline my preferred formula, explain its components, and justify why it works.

Preferred Managed Appreciation Formula

Formula:

Restricted Resale Value = Initial Purchase Price + (Annual Appreciation Rate × Years Held × Initial Price)
+ Value of Approved Improvements

- Annual Appreciation Rate: Fixed at 2% per year, capped at a maximum total appreciation of 50% of the initial price over the restriction period.
- Deed Restriction Period: Base of 15 years, adjustable to 10–20 years for single-family homes and 20–40 years for multifamily homes (as recommended earlier).

- Improvements: Limited to cost of approved upgrades (e.g., energy efficiency, structural repairs), capped at 25% of initial price, with county approval to ensure affordability isn't compromised.
- Equity Sharing: Homeowners retain 100% of appreciation and improvement value up to the cap, with any excess market value at resale reverting to a public entity (e.g., Maui County or a CLT) to fund future affordable housing.

Example Calculation

- Initial Purchase Price: \$300,000 (affordable for 80% AMI, ~\$70,000 household income in Maui, 2025).
 - Years Held: 15 years (single-family restriction period).
 - Annual Appreciation Rate: 2%.
 - Approved Improvements: \$30,000 (e.g., solar panels, roof repair).
 - Restricted Resale Value:
 - $\text{Appreciation} = 2\% \times 15 \times \$300,000 = \$90,000$ (30% of initial price, below 50% cap).
 - $\text{Total} = \$300,000 + \$90,000 + \$30,000 = \$420,000$.
 - Market Value (Unrestricted): Assume \$600,000 after 15 years (4% annual market growth).
 - Equity Gained: Homeowner keeps \$120,000 (\$420,000 - \$300,000); excess \$180,000 (\$600,000 - \$420,000) goes to the county.
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Explanation of Components

1. Fixed 2% Annual Appreciation Rate
 - Why: A modest, predictable rate (below Maui's historical 3–5% market growth) ensures the home appreciates enough for homeowners to build equity—critical for wealth creation—while staying below market rates to maintain affordability. Inflation averages 2–3% annually (per BLS data), so 2% keeps pace with costs without inflating beyond lower-income reach.
 - Benefit: A \$300,000 home grows to \$390,000 in 10 years, giving a \$90,000 gain—significant for an 80% AMI household (~\$70,000 income)—yet affordable at 5x income for a similar future buyer.
 - Contrast: Maui's Chapter 2.96 ties resale to AMI increases (often 1–2% yearly), but a fixed rate simplifies administration and lender predictability.
2. 50% Appreciation Cap
 - Why: Caps total appreciation at 50% of the initial price (e.g., \$150,000 on \$300,000) to prevent runaway costs in high-demand markets like Maui (median home \$1.3 million, 2022). This keeps the home within reach for future moderate-income buyers (e.g., \$450,000 vs. \$600,000 market rate after 15 years).
 - Benefit: Limits resale to \$450,000 after 25 years ($2\% \times 25 = 50\%$), aligning with 5–6x income for 80–120% AMI (~\$70,000–\$105,000), per HUD guidelines.
 - Contrast: Unlimited appreciation (e.g., DHHL's house-only model) risks losing affordability; no cap could push prices too high.
3. Approved Improvements Up to 25%
 - Why: Allows homeowners to add value (e.g., \$75,000 max on \$300,000) for repairs or upgrades (e.g., solar, accessibility), boosting equity and livability without luxury creep that undermines affordability. County approval ensures cost-effectiveness and relevance.
 - Benefit: A \$30,000 improvement adds directly to resale (e.g., \$420,000 total), rewarding investment while keeping the cap modest.
 - Contrast: Chapter 2.96 lacks clear improvement rules, risking blight; this incentivizes upkeep without excess.
4. 15-Year Base with Adjustments
 - Why: A 15-year baseline (10–20 single-family, 20–40 multifamily) balances affordability with equity access, as discussed earlier. Shorter terms for single-family encourage

- ownership and financing (e.g., loans easier at 15 vs. 50 years), while longer multifamily terms secure rental stock.
 - Benefit: A 15-year term yields \$90,000 appreciation (\$300,000 to \$390,000), plus \$30,000 improvements = \$120,000 equity—meaningful for wealth-building—while keeping resale affordable.
 - Contrast: DHHL’s 99-year leases lock in value too long, hindering equity; Maui’s 5–10-year terms lapse too fast.
5. 100% Equity Retention Up to Cap, Excess to County
- Why: Homeowners keep all calculated gains (appreciation + improvements) up to the cap, ensuring they benefit fully from their tenure and investment. Excess market value funnels back to the Affordable Housing Fund, supporting new units without taxpayer burden.
 - Benefit: On a \$600,000 market value, the owner gets \$420,000 (40% gain), and \$180,000 funds future housing—equity and public good align.
 - Contrast: Shared-equity models (e.g., 25–50% splits) dilute homeowner gains; this maximizes personal benefit within affordability limits.
-

Why This Formula Works

1. Affordability Maintenance:
 - Keeps resale prices (e.g., \$420,000 after 15 years) within reach for 80–120% AMI households (~\$70,000–\$105,000), far below Maui’s \$1.3 million median, addressing inelasticity and gentrification pressures.
 - Aligns with Chapter 2.96’s intent but improves on its short 5–10-year terms, which saw 250–750 units lapse by 2025.
 2. Equity Building:
 - Provides \$90,000–\$120,000 equity over 15 years on a \$300,000 home—significant for moderate-income families—unlike DHHL’s 99-year leases, where leasehold limits equity to house value (e.g., \$30,000 on \$150,000).
 - Mitigates financing and equity loan barriers (as discussed) by allowing predictable growth lenders can assess.
 3. Developer Incentives:
 - A 2% rate and 50% cap, paired with shorter terms (10–20 years for single-family), reduce profit loss vs. market rates (4–5%), encouraging participation when combined with tax credits or density bonuses (e.g., 20% extra units).
 - More appealing than Maui’s early 25-year for-sale restrictions, which stalled projects pre-2014.
 4. Practicality:
 - Fixed 2% simplifies calculations (vs. AMI-indexed models needing annual updates), aiding homeowners, lenders, and county enforcement.
 - Excess value recapture funds new units (e.g., \$180,000 could subsidize a \$300,000 home), sustainable without heavy tax reliance.
 5. Flexibility:
 - Works with prior recommendations: 15-year base, adjustable by type/AMI/funding, with waivers (e.g., 2 years post-disaster) and mid-term equity releases (e.g., 50% of \$90,000 = \$45,000), addressing crises and financing needs.
-

Comparison to Alternatives

- Maui Chapter 2.96 (AMI-Based): Ties resale to AMI growth (1–2% yearly), but short terms (5–10 years) lose affordability fast (e.g., 400–1,200 units remain of 800–2,100). My formula extends terms and caps growth, ensuring longevity and equity.
 - DHHL 99-Year Lease: Caps house value with no land equity, limiting resale and financing; my formula applies to fee simple ownership, offering more homeowner benefit within restrictions.
 - Pure Market Index (e.g., 4%): Risks \$300,000 becoming \$600,000 in 15 years, unaffordable for 80% AMI; 2% keeps it at \$420,000, viable for successors.
-

Conclusion

My preferred managed appreciation formula—Initial Price + (2% × Years × Initial Price) + Approved Improvements, capped at 50% appreciation, with 100% retention and excess to county—works for deed restrictions by ensuring affordability (e.g., \$420,000 resale vs. \$600,000 market), building equity (e.g., \$120,000 gain), and supporting implementation in Maui’s high-cost, inelastic market. It improves on Chapter 2.96’s shortfalls and DHHL’s rigidity, offering a practical, equitable middle ground.

How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock?

Preventing investors from buying and then selling properties for a profit—particularly those designated as affordable and workforce housing stock under Maui County’s policies like Chapter 2.96—requires robust mechanisms to deter speculation while preserving affordability and supporting residents’ housing needs. Investors often exploit lax enforcement or short-term deed restrictions to flip properties in Maui’s high-demand, inelastic market (e.g., median home price \$1.3 million in 2022), undermining the roughly 800–2,100 affordable units created since 2006, of which only 400–1,200 remain affordable as of March 6, 2025. Drawing on prior discussions about deed restrictions, managed appreciation, equity, and developer incentives, here’s how Maui County can address this, tailored to its workforce housing goals.

Strategies to Prevent Investor Speculation

1. Strengthen Deed Restrictions with Anti-Speculation Clauses

- Owner-Occupancy Requirement:
 - How: Mandate that affordable/workforce units (e.g., 80–160% AMI, ~\$70,000–\$140,000 income) be owner-occupied for a minimum period (e.g., 10–15 years for single-family, 20–40 years for multifamily rentals, per my prior recommendation). Prohibit leasing to non-family members during this time.
 - Why: Investors rely on quick resale or rental income; requiring occupancy blocks this, ensuring homes serve residents, not profiteers.
 - Example: A \$350,000 workforce home (100% AMI) must be lived in by the buyer for 15 years, thwarting a flip to \$500,000 in 2 years.

- **Extended Restriction Periods:**
 - How: Increase deed restriction durations beyond Chapter 2.96's current 5–10 years (e.g., 10–20 years single-family, 20–40 years multifamily), aligning with my managed appreciation formula (15-year base).
 - Why: Short terms (e.g., 5 years expiring by 2019–2025) let investors wait out restrictions and sell at market rates (e.g., \$1.3 million); longer terms deter this by locking in affordability.
 - Example: A 20-year restriction keeps a \$300,000 home affordable until 2045, outlasting investor timelines.
- **Managed Appreciation Formula:**
 - How: Implement my preferred formula—Initial Price + (2% × Years × Initial Price) + Approved Improvements, capped at 50%—with all excess market value reverting to the county.
 - Why: Caps profit (e.g., \$420,000 resale vs. \$600,000 market after 15 years), making flipping unattractive while allowing \$120,000 equity for owners, not investors.
 - Example: An investor buying at \$300,000 can't profit \$300,000; they're limited to \$120,000, with \$180,000 funding new units.

2. Impose Penalties and Buyback Provisions

- **Profit Recapture Penalty:**
 - How: Require investors who sell within a set period (e.g., 10 years) to repay all profits above the restricted resale value to the Affordable Housing Fund, plus a fine (e.g., 10% of sale price).
 - Why: Disincentivizes quick flips by erasing gains and adding costs, protecting the 400–1,200 remaining affordable units.
 - Example: A \$300,000 home sold for \$500,000 after 3 years repays \$200,000 profit + \$50,000 fine, netting the investor nothing.
- **County Right of First Refusal (ROFR):**
 - How: Grant Maui County the option to buy back any affordable/workforce unit at the restricted resale value (e.g., \$420,000) before it's sold on the open market, enforceable for the restriction period.
 - Why: Prevents investors from bypassing caps by ensuring the county can reclaim and reassign units to eligible residents.
 - Example: An investor tries to sell a \$300,000 home for \$600,000 after 8 years; the county buys it back at \$390,000 (2% × 8 years), keeping it affordable.

3. Tighten Eligibility and Enforcement

- **Stricter Buyer Qualifications:**
 - How: Limit purchases to Maui residents (e.g., 2+ years residency) or workforce members (e.g., employed locally 1+ year) within 80–160% AMI, verified via tax returns and employment records. Ban corporate or investor entities from buying.
 - Why: Investors (e.g., mainland speculators) often outbid locals; residency and income rules prioritize actual residents, not profiteers.
 - Example: A \$350,000 workforce home goes to a teacher earning \$80,000, not a California LLC.
- **Robust Monitoring and Audits:**
 - How: Establish a dedicated Housing Enforcement Unit within the Department of Housing to track ownership, verify occupancy annually (e.g., utility bills, voter registration), and penalize violations (e.g., \$10,000 fines or reversion).
 - Why: Weak enforcement let Chapter 2.96 units slip to market rates (e.g., 250–750 expired by 2025); proactive oversight prevents this.
 - Example: An investor renting out a restricted home is fined \$10,000 and forced to sell back at \$300,000.

4. Leverage Taxation and Fees

- Speculation Tax:
 - How: Impose a 25% tax on profits from sales of affordable/workforce units within 10 years, exempting owner-occupants meeting residency rules.
 - Why: Targets short-term flips (e.g., \$300,000 to \$600,000 in 5 years), reducing investor ROI while sparing residents building equity.
 - Example: A \$300,000 profit yields \$75,000 tax, netting \$225,000—less appealing than holding market-rate properties.
- Higher Transfer Fees for Non-Residents:
 - How: Increase conveyance taxes (e.g., from 0.6% to 5%) for non-owner-occupant buyers or sellers of restricted units, funding the Affordable Housing Fund.
 - Why: Raises costs for investors (e.g., \$25,000 on a \$500,000 sale), deterring speculation.
 - Example: An investor pays \$15,000 extra to sell a \$300,000 home, vs. \$1,800 for a resident.

5. Expand Community Land Trusts (CLTs)

- CLT Ownership Model:
 - How: Transfer affordable/workforce units to a county-backed CLT (e.g., Na Hale O Maui, 46 homes since 2006), leasing land to owners for 99 years at \$1/year (like DHHL) while retaining title. Use my managed appreciation formula for resale.
 - Why: CLTs remove land from speculation, capping resale at affordable levels (e.g., \$420,000 after 15 years), and county ownership blocks investor flips entirely.
 - Example: A \$300,000 CLT home appreciates to \$420,000; the county retains land, selling only the house to the next eligible buyer.
- Scale Up:
 - How: Aim for 500 CLT units by 2030, using public land and \$10 million from the Affordable Housing Fund, targeting 50% rentals for non-buyers (0–80% AMI).
 - Why: Expands the 800–2,100 unit legacy of Chapter 2.96, ensuring permanence beyond short-term restrictions.
 - Example: A 50-unit CLT project keeps 25 rentals at \$1,200/month for 50% AMI workers.

6. Support Residents Over Investors

- Financing Protections:
 - How: Specify in deed restrictions that owners can refinance or borrow equity (e.g., up to 50% of \$120,000 gain, as discussed), with county-backed loans for residents, not investors, easing lender hesitancy over resale caps.
 - Why: Helps residents stay in homes (e.g., \$40,000 loan for repairs) while investor loans are riskier due to occupancy rules.
 - Example: A 100% AMI owner refinances at 3.5% via a county-partnered bank; an investor is denied for non-occupancy.
- Rental Protections:
 - How: For multifamily workforce units, impose 20–40-year rent caps (e.g., \$1,200/month for 80% AMI) and ban short-term rentals (e.g., Airbnb), enforceable via fines or reversion.
 - Why: Prevents investors from converting rentals to vacation properties, a major Maui issue (e.g., 30% of housing stock per 2023 reports).
 - Example: A 25-unit building stays at \$1,500/month for 20 years, not \$3,000/night.

Implementation and Feasibility

- Legal Framework: Amend Chapter 2.96 to include these measures (e.g., 15-year minimum restrictions, ROFR, speculation tax), leveraging existing authority under HRS Chapter 46.

- Funding: Use conveyance tax revenue (\$5–10 million annually) and excess resale profits (e.g., \$180,000 per flip) to enforce rules and expand CLTs.
 - Enforcement: Hire 5–10 staff for the Housing Enforcement Unit (\$500,000/year), funded by fines and fees, to monitor 1,200+ units.
 - Developer Buy-In: Pair restrictions with incentives (e.g., 9% LIHTC, density bonuses), ensuring supply grows (e.g., 5,000 units by 2030).
-

Conclusion

Maui County can prevent investor profiteering by strengthening deed restrictions (15–40 years, 2% appreciation cap, occupancy mandates), imposing penalties (profit recapture, ROFR), tightening eligibility (residents only), leveraging taxes (25% speculation tax), and expanding CLTs (500 units). These measures protect the 400–1,200 affordable/workforce units and grow stock, ensuring homes serve residents—not speculators—in a market where \$1.3 million prices exclude most locals. This aligns with Chapter 2.96’s intent, fixing its enforcement gaps, and supports equity without stifling development.

How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity, and housing land trusts?

Determining how much affordable housing inventory Maui County should isolate from the general housing market through leaseholds, deed restrictions in perpetuity, and community land trusts (CLTs) involves balancing the need to preserve affordability long-term, support residents’ equity-building potential, and maintain a viable housing supply in a high-cost, inelastic market. Maui’s median single-family home price hit \$1.3 million in 2022, while the AMI for a family of four is around \$88,000 (HUD 2024), creating a vast affordability gap. Chapter 2.96 has produced an estimated 800–2,100 affordable units since 2006, with 400–1,200 still affordable as of March 6, 2025, but short-term restrictions (5–10 years) and weak enforcement have let many revert to market rates. Isolating inventory permanently or semi-permanently can protect against this, but too much isolation risks stifling flexibility and developer participation. Here’s an analysis, informed by prior discussions on deed restrictions, managed appreciation, and investor prevention.

Key Factors to Consider

1. Housing Need and Shortfall
 - Maui’s 2021 Comprehensive Affordable Housing Plan estimates a need for 14,135 new units by 2030, with 60–70% (8,481–9,895) affordable for households below 140% AMI (~\$123,000). Current inventory (165,000 residents, ~60,000 units per 2020 Census) includes only ~1–2% affordable units (600–1,200 from Chapter 2.96), far below demand.
 - Implication: A significant portion must be isolated to meet this gap, especially for lower-income renters (0–80% AMI, ~\$70,000).
2. Market Pressure and Speculation
 - High demand from wealthy outsiders and vacation rentals (30% of stock per 2023 reports) drives prices up, with 250–750 Chapter 2.96 units lost to market rates by 2025. Permanent

- isolation counters this but must balance supply for moderate-income owners (80–120% AMI).
 - Implication: Isolation protects against flips but shouldn't over-restrict ownership opportunities.
 - 3. Equity and Financing Goals
 - Homeowners need equity (e.g., \$50,000–\$120,000 over 15 years, per my managed appreciation formula) for wealth-building, which perpetual restrictions or leaseholds limit by capping resale or excluding land value (e.g., DHHL model).
 - Implication: Some inventory should allow equity growth, not all locked permanently.
 - 4. Developer Incentives and Supply
 - Developers resist long-term restrictions without incentives (e.g., tax credits, density bonuses); isolating too much could deter construction in an inelastic market needing 5,000+ units by 2030.
 - Implication: Isolation must pair with incentives to sustain production.
-

Recommended Isolation Target

Target: Isolate 50% of the affordable housing inventory (approximately 4,240–4,948 units out of the 8,481–9,895 needed by 2030) from the general market through a mix of leaseholds, perpetual deed restrictions, and CLTs. Here's the breakdown and rationale:

1. Total Affordable Units Needed

- 8,481–9,895 units (60–70% of 14,135 total need by 2030).
- Current Affordable Stock: 400–1,200 units (Chapter 2.96 remnants).
- New Units Required: 7,281–9,495 (difference to hit target).

2. Isolation Goal: 50% (4,240–4,948 units)

- Why 50%?
 - Affordability Preservation: Isolating half ensures a permanent or near-permanent stock (e.g., 4,000+ units) for low- and moderate-income residents (0–80% AMI, ~\$70,000), protecting against the 250–750 unit loss seen in Chapter 2.96's short terms.
 - Equity Balance: Leaves 50% (4,240–4,948 units) for time-limited restrictions (e.g., 10–40 years), allowing equity growth (e.g., \$120,000 over 15 years) for moderate-income owners (80–120% AMI), as discussed earlier.
 - Market Flexibility: Avoids over-isolation (e.g., 100% perpetual) that could deter developers or freeze too much inventory, stifling supply in a market where only 1,135 units were built from 2012–2014 vs. a 3,400 need.
 - Precedent: Models like Burlington, VT's CLT (5,000+ units, ~50% of affordable stock) show 50% isolation sustains affordability without choking development.

3. Allocation Across Mechanisms

- Leaseholds (20% of isolated, ~850–990 units):
 - How: Use a DHHL-like 99-year lease model on county land, targeting renters below 50% AMI (~\$44,000) with rents at 30% of income (e.g., \$1,100/month).
 - Why: Ideal for non-buyers (32% of Maui rents), mirroring DHHL's 10,000+ leases, but limited to rentals due to financing/equity constraints (as discussed).
 - Example: 900 rental units on public land, \$1/year lease, \$1,200/month cap.
- Perpetual Deed Restrictions (20% of isolated, ~850–990 units):
 - How: Apply to multifamily rentals for 50–80% AMI (~\$44,000–\$70,000), with rent caps (e.g., \$1,500/month) and no resale option, managed by housing authorities.
 - Why: Secures rental stock (e.g., 20–40-year terms lost 250–750 units), prioritizing non-buyers over equity, complementing Chapter 2.96's perpetual rental intent.

- Example: 900 apartments in Kihei, \$1,500/month, perpetually affordable.
- Community Land Trusts (60% of isolated, ~2,540–2,969 units):
 - How: Expand CLTs (e.g., Na Hale O Maui's 46 units) to own land, leasing to owners/renters for 99 years with my managed appreciation formula (2% annual, 50% cap). Split: 50% rentals (0–80% AMI), 50% for-sale (80–120% AMI).
 - Why: CLTs prevent investor flips (as proposed earlier), offer flexibility (rentals vs. ownership), and allow modest equity (e.g., \$120,000 over 15 years), balancing affordability and wealth-building.
 - Example: 2,500 CLT units—1,250 rentals at \$1,200/month, 1,250 homes at \$420,000 resale after 15 years.

4. Remaining 50% (4,240–4,948 units)

- Time-Limited Deed Restrictions:
 - How: Use 10–20 years for single-family and 20–40 years for multifamily (per prior recommendation), with managed appreciation (e.g., \$300,000 to \$420,000 in 15 years).
 - Why: Supports equity for owners (e.g., \$120,000 gain), encourages developer participation with shorter terms and incentives (e.g., tax credits), and allows eventual market reintegration.
 - Example: 2,500 single-family homes at \$350,000, 15-year terms, resale at \$470,000.

Rationale and Tie-Ins

- Affordability (Prior Q): Isolating 50% (4,240–4,948 units) locks in stock for low-income renters (0–80% AMI) via leaseholds and perpetual restrictions, addressing Maui's 14,000-unit shortfall and Chapter 2.96's losses (250–750 units).
- Equity (Prior Q): CLTs (60% of isolated) and time-limited units (50% total) allow \$50,000–\$120,000 equity, critical for moderate-income owners (80–120% AMI), unlike DHHL's leasehold limits.
- Investor Prevention (Prior Q): Perpetual mechanisms and CLTs block flips (e.g., \$300,000 to \$1.3 million), with ROFR and occupancy rules from earlier enhancing protection.
- Developer Incentives (Prior Q): Time-limited 50% with tax credits (e.g., 9% LIHTC) and density bonuses (20% extra units) ensure supply growth, balancing isolation's rigidity.
- Financing (Prior Q): Fee simple CLTs and shorter-term restrictions ease mortgage access vs. leaseholds, supporting buyers while isolating rentals aids non-buyers.

Implementation

- Target by 2030: Isolate 4,240–4,948 of 8,481–9,895 affordable units.
 - Leaseholds: 850–990 (county land, \$5 million).
 - Perpetual Restrictions: 850–990 (multifamily grants, \$10 million).
 - CLTs: 2,540–2,969 (public-private funding, \$50 million).
- Funding: Affordable Housing Fund (\$20 million/year), conveyance taxes (\$10 million), federal grants (e.g., HUD CDBG).
- Enforcement: Housing Enforcement Unit (5 staff, \$500,000/year) to monitor compliance.
- Incentives: 9% LIHTC, 20% density bonuses, fast-tracked permits for non-isolated units.

Real-World Context

- DHHL: 10,000+ leaseholds isolate land permanently, but limit equity; Maui could adapt this for rentals (20% of target).
- Burlington, VT CLT: ~2,500 units (50% of affordable stock) show CLTs work at scale, inspiring Maui's 60% CLT focus.
- Chapter 2.96: Only 400–1,200 of 800–2,100 units remain affordable, proving short-term flaws; 50% isolation fixes this.

Conclusion

Maui County should isolate 50% of its affordable housing inventory (4,240–4,948 units by 2030) through leaseholds (20%, 850–990 rentals), perpetual deed restrictions (20%, 850–990 rentals), and CLTs (60%, 2,540–2,969 mixed), leaving 50% for time-limited restrictions (10–40 years). This preserves affordability for non-buyers, allows equity for owners, counters speculation, and sustains supply with incentives—addressing the \$1.3 million market while meeting 14,000-unit needs.

HLU Committee

From: Lawrence Carnicelli <lawrencecarnicelli@gmail.com>
Sent: Thursday, March 6, 2025 3:11 PM
To: HLU Committee; Tasha A. Kama
Subject: Re: HLU Committee Resource Materials
Attachments: SHARED EQUITY DEED RESTRICTION 5.4.2022.pdf

Here is the attachment....

Lawrence P. Carnicelli, B
Hale Anuenue Realty LLC
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RB-18787
RB-23444

On Mar 6, 2025, at 6:10 PM, Lawrence Carnicelli <lawrencecarnicelli@gmail.com> wrote:

Aloha HLU Committee staff,
Attached is a series of spreadsheets that I created to showing several different models of shared equity. Please let me know if you have questions.
Thank you
Lawrence

PS I tried to submit it as a comment online but the system would not allow attachments.

Lawrence P. Carnicelli, B
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2.96.060 Residential Workforce Housing Restrictions (Current) *							
	Market	Developer's	Deferred	Purchase	Market	AH Resale	Homeowner
	Price	Subsidy	Mortgage	Price	Appreciation	Sales Price	Equity
Purchase	\$600,000	\$200,000	\$0	\$400,000	\$0	\$400,000	\$0
Year 1	\$606,000	\$200,000	\$0	\$400,000	\$6,000	\$401,500	\$1,500
Year 2	\$612,060	\$200,000	\$0	\$400,000	\$12,060	\$403,015	\$3,015
Year 3	\$618,181	\$200,000	\$0	\$400,000	\$18,181	\$404,545	\$4,545
Year 4	\$624,362	\$200,000	\$0	\$400,000	\$24,362	\$406,091	\$6,091
Year 5	\$630,606	\$200,000	\$0	\$400,000	\$30,606	\$407,652	\$7,652
Year 6	\$636,912	\$200,000	\$0	\$400,000	\$36,912	\$409,228	\$9,228
Year 7	\$643,281	\$200,000	\$0	\$400,000	\$43,281	\$410,820	\$10,820
Year 8	\$649,714	\$200,000	\$0	\$400,000	\$49,714	\$412,429	\$12,429
Year 9	\$656,211	\$200,000	\$0	\$400,000	\$56,211	\$414,053	\$14,053
Year 10	\$662,773	\$200,000	\$0	\$400,000	\$62,773	\$415,693	\$15,693
Year 11	\$669,401	\$200,000	\$0	\$400,000	\$69,401	\$669,401	\$269,401
Year 12	\$676,095	\$200,000	\$0	\$400,000	\$76,095	\$676,095	\$276,095
Year 13	\$682,856	\$200,000	\$0	\$400,000	\$82,856	\$682,856	\$282,856
Year 14	\$689,685	\$200,000	\$0	\$400,000	\$89,685	\$689,685	\$289,685
Year 15	\$696,581	\$200,000	\$0	\$400,000	\$96,581	\$696,581	\$296,581
Year 16	\$703,547	\$200,000	\$0	\$400,000	\$103,547	\$703,547	\$303,547
Year 17	\$710,583	\$200,000	\$0	\$400,000	\$110,583	\$710,583	\$310,583
Year 18	\$717,688	\$200,000	\$0	\$400,000	\$117,688	\$717,688	\$317,688
Year 19	\$724,865	\$200,000	\$0	\$400,000	\$124,865	\$724,865	\$324,865
Year 20	\$732,114	\$200,000	\$0	\$400,000	\$132,114	\$732,114	\$332,114
Year 21	\$739,435	\$200,000	\$0	\$400,000	\$139,435	\$739,435	\$339,435
Year 22	\$746,830	\$200,000	\$0	\$400,000	\$146,830	\$746,830	\$346,830
Year 23	\$754,298	\$200,000	\$0	\$400,000	\$154,298	\$754,298	\$354,298
Year 24	\$761,841	\$200,000	\$0	\$400,000	\$161,841	\$761,841	\$361,841
Year 25	\$769,459	\$200,000	\$0	\$400,000	\$169,459	\$769,459	\$369,459
Year 26	\$777,154	\$200,000	\$0	\$400,000	\$177,154	\$777,154	\$377,154
Year 27	\$784,925	\$200,000	\$0	\$400,000	\$184,925	\$784,925	\$384,925
Year 28	\$792,775	\$200,000	\$0	\$400,000	\$192,775	\$792,775	\$392,775
Year 29	\$800,702	\$200,000	\$0	\$400,000	\$200,702	\$800,702	\$400,702
Year 30	\$808,709	\$200,000	\$0	\$400,000	\$208,709	\$808,709	\$408,709
Year 31	\$816,796	\$200,000	\$0	\$400,000	\$216,796	\$816,796	\$416,796
ASSUMPTIONS:							
Market Price	\$600,000						
Developer Subsidy	\$200,000			* 10-Year Deed Restriction			
Deferred Mortgage	\$0						
Market Appreciation YOY	1%						
Family Equity	25.0%						

SHARED EQUITY MODEL *							
	Market	Developer's	Deferred	Purchase	Market	AH Resale	Homeowner
	Price	Subsidy	Mortgage	Price	Appreciation	Sales Price	Equity
Purchase	\$600,000	\$200,000	\$0	\$400,000	\$0	\$400,000	\$0
Year 1	\$606,000	\$200,000	\$0	\$400,000	\$6,000	\$406,000	\$6,000
Year 2	\$612,060	\$200,000	\$0	\$400,000	\$12,060	\$412,060	\$12,060
Year 3	\$618,181	\$200,000	\$0	\$400,000	\$18,181	\$418,181	\$18,181
Year 4	\$624,362	\$200,000	\$0	\$400,000	\$24,362	\$424,362	\$24,362
Year 5	\$630,606	\$200,000	\$0	\$400,000	\$30,606	\$430,606	\$30,606
Year 6	\$636,912	\$200,000	\$0	\$400,000	\$36,912	\$436,912	\$36,912
Year 7	\$643,281	\$200,000	\$0	\$400,000	\$43,281	\$443,281	\$43,281
Year 8	\$649,714	\$200,000	\$0	\$400,000	\$49,714	\$449,714	\$49,714
Year 9	\$656,211	\$200,000	\$0	\$400,000	\$56,211	\$456,211	\$56,211
Year 10	\$662,773	\$200,000	\$0	\$400,000	\$62,773	\$462,773	\$62,773
Year 11	\$669,401	\$200,000	\$0	\$400,000	\$69,401	\$469,401	\$69,401
Year 12	\$676,095	\$200,000	\$0	\$400,000	\$76,095	\$476,095	\$76,095
Year 13	\$682,856	\$200,000	\$0	\$400,000	\$82,856	\$482,856	\$82,856
Year 14	\$689,685	\$200,000	\$0	\$400,000	\$89,685	\$489,685	\$89,685
Year 15	\$696,581	\$200,000	\$0	\$400,000	\$96,581	\$496,581	\$96,581
Year 16	\$703,547	\$200,000	\$0	\$400,000	\$103,547	\$503,547	\$103,547
Year 17	\$710,583	\$200,000	\$0	\$400,000	\$110,583	\$510,583	\$110,583
Year 18	\$717,688	\$200,000	\$0	\$400,000	\$117,688	\$517,688	\$117,688
Year 19	\$724,865	\$200,000	\$0	\$400,000	\$124,865	\$524,865	\$124,865
Year 20	\$732,114	\$200,000	\$0	\$400,000	\$132,114	\$532,114	\$132,114
Year 21	\$739,435	\$200,000	\$0	\$400,000	\$139,435	\$539,435	\$139,435
Year 22	\$746,830	\$200,000	\$0	\$400,000	\$146,830	\$546,830	\$146,830
Year 23	\$754,298	\$200,000	\$0	\$400,000	\$154,298	\$554,298	\$154,298
Year 24	\$761,841	\$200,000	\$0	\$400,000	\$161,841	\$561,841	\$161,841
Year 25	\$769,459	\$200,000	\$0	\$400,000	\$169,459	\$569,459	\$169,459
Year 26	\$777,154	\$200,000	\$0	\$400,000	\$177,154	\$577,154	\$177,154
Year 27	\$784,925	\$200,000	\$0	\$400,000	\$184,925	\$584,925	\$184,925
Year 28	\$792,775	\$200,000	\$0	\$400,000	\$192,775	\$592,775	\$192,775
Year 29	\$800,702	\$200,000	\$0	\$400,000	\$200,702	\$600,702	\$200,702
Year 30	\$808,709	\$200,000	\$0	\$400,000	\$208,709	\$608,709	\$208,709
Year 31	\$816,796	\$200,000	\$0	\$400,000	\$216,796	\$616,796	\$216,796
ASSUMPTIONS:							
Market Price	\$600,000						
Developer Subsidy	\$200,000						
Deferred Mortgage	\$0						
Market Appreciation YOY	1%						
Family Equity	100.0%						

* Subsidy Stays in Home

DEFERRED PAYMENT MORTGAGE MODEL w/ SHARED EQUITY							
	Market	Developer's	Deferred	Purchase	Market	AH Resale	Homeowner
	Price	Subsidy	Mortgage	Price	Appreciation	Sales Price	Equity
Purchase	\$600,000	\$200,000	\$80,000	\$320,000	\$0	\$320,000	\$0
Year 1	\$606,000	\$200,000	\$80,000	\$320,000	\$6,000	\$326,000	\$6,000
Year 2	\$612,060	\$200,000	\$80,000	\$320,000	\$12,060	\$332,060	\$12,060
Year 3	\$618,181	\$200,000	\$80,000	\$320,000	\$18,181	\$338,181	\$18,181
Year 4	\$624,362	\$200,000	\$80,000	\$320,000	\$24,362	\$344,362	\$24,362
Year 5	\$630,606	\$200,000	\$80,000	\$320,000	\$30,606	\$350,606	\$30,606
Year 6	\$636,912	\$200,000	\$80,000	\$320,000	\$36,912	\$356,912	\$36,912
Year 7	\$643,281	\$200,000	\$80,000	\$320,000	\$43,281	\$363,281	\$43,281
Year 8	\$649,714	\$200,000	\$80,000	\$320,000	\$49,714	\$369,714	\$49,714
Year 9	\$656,211	\$200,000	\$80,000	\$320,000	\$56,211	\$376,211	\$56,211
Year 10	\$662,773	\$200,000	\$80,000	\$320,000	\$62,773	\$382,773	\$62,773
Year 11	\$669,401	\$200,000	\$80,000	\$320,000	\$69,401	\$389,401	\$69,401
Year 12	\$676,095	\$200,000	\$80,000	\$320,000	\$76,095	\$396,095	\$76,095
Year 13	\$682,856	\$200,000	\$80,000	\$320,000	\$82,856	\$402,856	\$82,856
Year 14	\$689,685	\$200,000	\$80,000	\$320,000	\$89,685	\$409,685	\$89,685
Year 15	\$696,581	\$200,000	\$80,000	\$320,000	\$96,581	\$416,581	\$96,581
Year 16	\$703,547	\$200,000	\$80,000	\$320,000	\$103,547	\$423,547	\$103,547
Year 17	\$710,583	\$200,000	\$80,000	\$320,000	\$110,583	\$430,583	\$110,583
Year 18	\$717,688	\$200,000	\$80,000	\$320,000	\$117,688	\$437,688	\$117,688
Year 19	\$724,865	\$200,000	\$80,000	\$320,000	\$124,865	\$444,865	\$124,865
Year 20	\$732,114	\$200,000	\$80,000	\$320,000	\$132,114	\$452,114	\$132,114
Year 21	\$739,435	\$200,000	\$80,000	\$320,000	\$139,435	\$459,435	\$139,435
Year 22	\$746,830	\$200,000	\$80,000	\$320,000	\$146,830	\$466,830	\$146,830
Year 23	\$754,298	\$200,000	\$80,000	\$320,000	\$154,298	\$474,298	\$154,298
Year 24	\$761,841	\$200,000	\$80,000	\$320,000	\$161,841	\$481,841	\$161,841
Year 25	\$769,459	\$200,000	\$80,000	\$320,000	\$169,459	\$489,459	\$169,459
Year 26	\$777,154	\$200,000	\$80,000	\$320,000	\$177,154	\$497,154	\$177,154
Year 27	\$784,925	\$200,000	\$80,000	\$320,000	\$184,925	\$504,925	\$184,925
Year 28	\$792,775	\$200,000	\$80,000	\$320,000	\$192,775	\$512,775	\$192,775
Year 29	\$800,702	\$200,000	\$80,000	\$320,000	\$200,702	\$520,702	\$200,702
Year 30	\$808,709	\$200,000	\$80,000	\$320,000	\$208,709	\$528,709	\$208,709
Year 31	\$816,796	\$200,000	\$80,000	\$320,000	\$216,796	\$536,796	\$216,796
ASSUMPTIONS:							
Market Price	\$600,000						
Developer Subsidy	\$200,000						
Deferred Mortgage	\$80,000						
Market Appreciation YOY	1%						
Family Equity	100.0%						
* Subsidy and DPM Stays in Home							

Maui County Comprehensive Affordable Housing Plan *							
	Market	Developer's	Deferred	Purchase	Market	AH Resale	Homeowner
	Price	Subsidy	Mortgage	Price	Appreciation	Sales Price	Equity
Purchase	\$600,000	\$200,000	\$80,000	\$320,000	\$0	\$320,000	\$0
Year 1	\$606,000	\$200,000	\$80,000	\$320,000	\$6,000	\$320,150	\$0
Year 2	\$612,060	\$200,000	\$80,000	\$320,000	\$12,060	\$320,302	\$0
Year 3	\$618,181	\$200,000	\$80,000	\$320,000	\$18,181	\$320,455	\$0
Year 4	\$624,362	\$200,000	\$80,000	\$320,000	\$24,362	\$320,609	\$0
Year 5	\$630,606	\$200,000	\$80,000	\$320,000	\$30,606	\$320,765	\$0
Year 6	\$636,912	\$200,000	\$80,000	\$320,000	\$36,912	\$320,923	\$0
Year 7	\$643,281	\$200,000	\$80,000	\$320,000	\$43,281	\$321,082	\$0
Year 8	\$649,714	\$200,000	\$80,000	\$320,000	\$49,714	\$321,243	\$0
Year 9	\$656,211	\$200,000	\$80,000	\$320,000	\$56,211	\$321,405	\$0
Year 10	\$662,773	\$200,000	\$80,000	\$320,000	\$62,773	\$321,569	\$0
Year 11	\$669,401	\$200,000	\$80,000	\$320,000	\$69,401	\$321,735	\$1,735
Year 12	\$676,095	\$200,000	\$80,000	\$320,000	\$76,095	\$321,902	\$1,902
Year 13	\$682,856	\$200,000	\$80,000	\$320,000	\$82,856	\$322,071	\$2,071
Year 14	\$689,685	\$200,000	\$80,000	\$320,000	\$89,685	\$322,242	\$2,242
Year 15	\$696,581	\$200,000	\$80,000	\$320,000	\$96,581	\$322,415	\$2,415
Year 16	\$703,547	\$200,000	\$80,000	\$320,000	\$103,547	\$322,589	\$2,589
Year 17	\$710,583	\$200,000	\$80,000	\$320,000	\$110,583	\$322,765	\$2,765
Year 18	\$717,688	\$200,000	\$80,000	\$320,000	\$117,688	\$322,942	\$2,942
Year 19	\$724,865	\$200,000	\$80,000	\$320,000	\$124,865	\$323,122	\$3,122
Year 20	\$732,114	\$200,000	\$80,000	\$320,000	\$132,114	\$323,303	\$3,303
Year 21	\$739,435	\$200,000	\$80,000	\$320,000	\$139,435	\$323,486	\$3,486
Year 22	\$746,830	\$200,000	\$80,000	\$320,000	\$146,830	\$323,671	\$3,671
Year 23	\$754,298	\$200,000	\$80,000	\$320,000	\$154,298	\$323,857	\$3,857
Year 24	\$761,841	\$200,000	\$80,000	\$320,000	\$161,841	\$324,046	\$4,046
Year 25	\$769,459	\$200,000	\$80,000	\$320,000	\$169,459	\$324,236	\$4,236
Year 26	\$777,154	\$200,000	\$80,000	\$320,000	\$177,154	\$324,429	\$4,429
Year 27	\$784,925	\$200,000	\$80,000	\$320,000	\$184,925	\$324,623	\$4,623
Year 28	\$792,775	\$200,000	\$80,000	\$320,000	\$192,775	\$324,819	\$4,819
Year 29	\$800,702	\$200,000	\$80,000	\$320,000	\$200,702	\$325,018	\$5,018
Year 30	\$808,709	\$200,000	\$80,000	\$320,000	\$208,709	\$325,218	\$5,218
Year 31	\$816,796	\$200,000	\$80,000	\$320,000	\$216,796	\$325,420	\$5,420
ASSUMPTIONS:							
Market Price	\$600,000						
Developer Subsidy	\$200,000						
Deferred Mortgage	\$80,000						
Market Appreciation YOY	1%						
Family Equity	2.5%						

HLU Committee

From: Andrew Pereira <apereira@prp-hawaii.com>
Sent: Friday, March 7, 2025 4:11 PM
To: HLU Committee
Cc: Tasha A. Kama
Subject: Re: PLEASE READ attached letter re: HLU-24, Relating to Residential Workforce Housing Deed Restrictions
Attachments: PRP Responses to Maui Council HLU Questions on Deed Restrictions 03.07.2025.pdf
Importance: High

Some people who received this message don't often get email from apereira@prp-hawaii.com. [Learn why this is important](#)

Aloha Chair Kama and HLU Committee staff members.

Attached are PRP's responses to the committee's questions regarding workforce housing deed restrictions.

I look forward to joining the hearing on Monday, March 11 for the afternoon session starting at 1:30 p.m.

Mahalo,

AP



Andrew Pereira

Director of Public Affairs

Phone: 808-380-8836

Mobile: 808-754-7578

Email: apereira@prp-hawaii.com

Pacific Resource Partnership

1100 Alakea Street, 4th Floor

Honolulu, Hawai'i 96813

PRP-Hawaii.com

"People, Relationships, Promise"



From: HLU Committee <HLU.Committee@mauicounty.us>

Sent: Thursday, February 27, 2025 5:52 PM

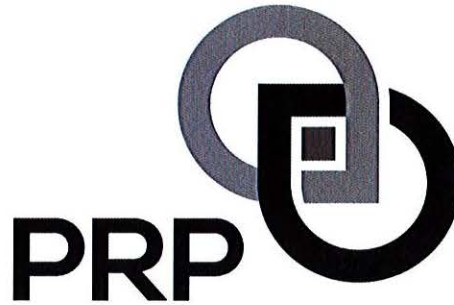
To: Andrew Pereira <apereira@prp-hawaii.com>

Cc: HLU Committee <HLU.Committee@mauicounty.us>; Tasha A. Kama <Tasha.Kama@mauicounty.us>

Subject: PLEASE READ attached letter re: HLU-24, Relating to Residential Workforce Housing Deed Restrictions

Aloha, Mr. Pereira, please refer to the attached letter from the Housing and Land Use Committee Chair, dated February 27, 2025.

Mahalo,
HLU Committee Staff



Testimony of
Pacific Resource Partnership

Maui County Council – Committee on Housing and Land Use (HLU)
Honorable Chair Tasha Kama and Honorable Vice Nohelani U'u-Hodgins
Monday, March 10, 2025

Subject: Answer to questions from the committee on deed restrictions

Dear Chair Kama, Vice Chair U'u-Hodgins, and Members of the Committee:

Pacific Resource Partnership (PRP) represents 6,000 union carpenters across Hawai'i and more than 250 contractors dedicated to building a better future for our communities.

We appreciate the opportunity to provide responses to the questions put forth by the committee regarding deed restrictions.

Based on conversations with local homebuilders and PRP's experience in the construction industry we offer the following:

1. What is the connection between affordable housing and the local economy, and how could deed restrictions support this?

Affordable housing fuels economic growth by keeping workers local, supporting businesses, and stabilizing labor markets. Deed restrictions can help, but long ones deter builders by locking in low returns, thus cutting new projects when Hawai'i needs 50,000+ units. PRP supports shorter restrictions (5-8 years) to spur construction, driving economic vitality through increased supply.

Moreover, one homebuilder told PRP that, "Long term restrictions discourage owners from spending/investing in maintenance and improvements that preserve/improve property value because the capped appreciation that comes with the restriction does not allow the owners to recapture the investment.

2. How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units?

Longer restrictions stagnate communities by limiting housing turnover, trapping owners in deed-restricted units, and reducing mobility. Economically, they shrink builder profits, scare off lenders (who see restricted resale as risky), and slow market growth. Buyers lose interest due to capped equity, and builders halt projects, worsening the 50,000-unit shortage statewide. Shorter terms boost supply and flexibility.

3. How do deed restrictions contribute to the preservation of affordable housing options for future generations?

Deed restrictions preserve affordability short-term, but long durations choke new construction by making projects unprofitable. Future generations need more homes now — 50,000 units — not just preserved old ones. PRP argues that moderate restrictions (5-8 years) balance preservation with the urgent need to build, ensuring housing for tomorrow.

4. What are the benefits of having a predictable housing market because of longer deed restrictions?

Predictability from long restrictions is overstated — capped prices deter builders, shrinking supply and destabilizing the market as demand outpaces homes. Hawai'i's crisis demands rapid building, not locked-in units. PRP favors shorter restrictions for predictable growth through construction, not artificial price controls that stall the 50,000 units needed.

5. How can deed restrictions prevent gentrification and the displacement of long-term residents?

Deed restrictions aim to curb gentrification by capping prices, but overly long terms freeze development, driving up unrestricted home costs and displacing residents elsewhere. PRP suggests shorter restrictions with owner-occupancy rules to protect locals while encouraging builders to add units, easing pressure across the market.

6. How can deed restrictions ensure that essential workers are able to afford housing near their workplaces?

Short-term restrictions (5-8 years) paired with workforce-targeted projects can prioritize essential workers, keeping costs low initially. Longer terms deter builders, reducing total housing near jobs. PRP stresses that increasing supply — 50,000+ units — is the real solution, not extended restrictions that limit new builds.

7. What is the average length of an affordability deed restriction in the United States?

While national averages vary (often 15-30 years, per general trends), PRP focuses on Hawai'i's unique crisis. Long restrictions elsewhere don't fit our 50,000-unit deficit and high costs. We recommend 5-8 years to align with local builder needs, not a one-size-fits-all U.S. standard.

8. How do deed restrictions address the inelasticity of the housing market?

Deed restrictions don't fix inelasticity — they worsen it. Long terms lock units out of circulation, reducing supply when demand is rigid. PRP argues shorter restrictions free builders to respond to market needs, adding 50,000 units to ease inelasticity through volume, not artificial controls.



9. What factors should the Council consider when creating a policy to balance affordability and equity in homeownership?

Consider construction costs, financing risks, and the 50,000-unit gap statewide. Long restrictions sacrifice equity (capped resale limits wealth-building) and affordability (fewer new homes). PRP urges 5-to 8-year terms, allowing builders to profit and owners to gain equity, balancing both goals effectively.

Also, a large homebuilder informed PRP of the following: “The affordability term should be commensurate with the size of the unit relative to family size/household income growth. For example, a studio/1br unit should have a shorter restriction period than a 2br/3br unit. Larger units provide more useful time for a family to grow/household income to grow and thus, live in the unit before they outgrow it.

10. How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events? Provide any specific policies the Council should consider.

Long restrictions can trap owners post-disaster, with no resale flexibility. PRP proposes 5-8 year terms with “hardship clauses” — e.g., early release after disasters or job loss — ensuring adaptability for residents and viability for builders addressing the housing crisis.

11. What are some risks when buying a deed-restricted home and how can they be mitigated? What are the risks for buying an unrestricted home?

Restricted homes risk low equity and resale limits, especially with long terms — mitigate with 5-8-year durations. Unrestricted homes risk price spikes, but they drive builder investment. PRP warns that long restrictions shrink supply, raising risks across all housing types.

12. Should properties in different Area Median Income categories have similar or the same deed-restricted time periods?

No — flexibility is key. Higher AMI categories could have shorter terms (e.g., 5 years) to attract builders, while lower AMI might extend slightly (e.g., 8 years). Uniform long restrictions stifle projects, undermining the 50,000-unit statewide goal. PRP favors tailored, moderate terms.

13. Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home?

Yes — multifamily projects, with higher costs, need shorter terms (e.g., 5-8 years) to stay viable, while single-family might handle longer restrictions. Size (1 vs. 3 bedrooms) matters less than project scale. PRP stresses flexibility to maximize diverse housing, not rigid rules that deter builders.



14. Should the length of deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered.

Yes, but cap it sensibly — e.g., 5 years per \$100,000, max 8 years. Multifamily needs shorter terms due to scale; single-family can flex slightly higher. Long restrictions tied to funding kill profitability, halting the 50,000 units needed across Hawai'i. PRP seeks balance to keep projects flowing.

15. What deed-restriction time periods would you recommend the Council consider?

PRP recommends 5-8 years. This ensures affordability, preserves builder incentives, and unlocks financing. Longer terms (15-99 years) paralyze construction, deepening the 50,000-unit crisis. Moderate durations are proven to work without choking supply.

16. As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:

a. Do longer deed restrictions and 99-year leases prevent homeowners from taking out home equity loans?

Yes — lenders see capped values as weak collateral, blocking loans and hurting owners.

b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing?

Yes — banks raise rates or deny loans, shrinking buyers and deterring builders.

c. Can deed restrictions and 99-year leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home?

Yes, but lenders still balk if resale is capped. PRP pushes shorter terms to ease financing woes.

In addition, one of our homebuilders told PRP that, "Single-family detached homes are tough to sell with restrictions, even if high costs (for say infrastructure) is subsidized, it is still difficult to pencil. It works for DHHL because of a 99-year lease at \$1/yr. DHHL recipients can also pass down to the next generation one time. It will be interesting to see how it plays out when the first DHHL homes come up on the 99-year term expiration.

17. How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? Of those, how many units are still affordable today?

PRP lacks specific data but notes long restrictions often lock in units while deterring new builds.

18. How can the County address and support each resident's need to afford a home?

Build more homes — 50,000+ units statewide — via shorter restrictions (5-8 years) and streamlined permitting. Long terms shrink supply, driving costs up. PRP supports workforce housing incentives that prioritize construction, not endless regulation.



19. Do you have a preferred managed appreciation formula? If so, please explain.

PRP favors a simple appreciation rate, like the current 25% for workforce housing, added to the rate of inflation (e.g., CPI adjustments) over 5-8 years. Complex formulas with long caps confuse buyers and scare builders. Flexibility encourages construction while letting owners build modest equity.

20. How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock?

Geographic restrictions on who can purchase a workforce unit could deter investors from buying and selling properties for a profit. However, enforcement of geographic restrictions is key, as speculators could find a workaround if there is not enough oversight of such a program.

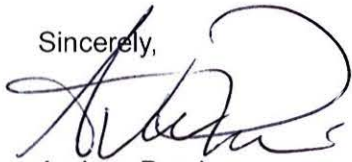
21. How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity, and housing land trusts?

Isolate minimally — 10-20% — to preserve some affordability without choking supply. Perpetual restrictions and land trusts deter builders, slashing total units. PRP stresses 50,000 new homes require market flexibility, not mass isolation.

One homebuilder told PRP that, "Restrictions and a homeowners' ability to move up the housing ladder is critical to solve our housing crisis. While restricting the lower rungs on the ladder sounds like a good plan, it inevitably will saddle the other rungs above it."

In conclusion, PRP encourages policies that foster housing development rather than inadvertently discouraging it, ensuring that Maui County can meet the housing needs of its residents effectively. Mahalo for your time and consideration.

Sincerely,



Andrew Pereira
Director of Public Affairs
Pacific Resource Partnership



HLU Committee

From: Perry Arrasmith <perry@hawaiiisfuture.org>
Sent: Monday, March 10, 2025 6:52 AM
To: HLU Committee
Cc: Lee Wang
Subject: HLU-24 Letter Response
Attachments: HHF Letter HLU Questions 03132025.pdf

Good morning HLU Committee,

Attached is our organization's response to the committee's letter of 02/28/2025. Mahalo for your patience with this matter. If you have any questions, please let me know.

Respectfully,
Perry Arrasmith



Perry Arrasmith
Director of Policy | Housing Hawai'i's Future

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[HAWAIIISFUTURE.ORG](https://hawaiiisfuture.org)

March 7, 2025

TO: Chair Kama and members of the Maui County Housing and Land Use Committee
RE: HLU-24, Relating to Residential Workforce Housing Deed Restrictions

Dear Chair Kama and Committee Members,

Thank you for your February 28, 2025, letter regarding residential workforce housing deed restrictions. As your letter suggests, this is a broad topic of local, statewide, and national interest, and we appreciate the invitation to provide some insight on this nuanced, multi-faceted, and promising field of housing policy.

In response to the questions provided by the HLU Committee, please find the responses below:

1. What is the connection between affordable housing and the local economy, and how could deed restrictions support this?

Sustainable local economies need sustainable, self-generating housing supplies dedicated to residents. Affordable housing, in short, supports local economies by enabling essential workers to live near employment centers, increasing consumer spending locally, and reducing commuting time and other related expenses. Deed restrictions help sustain affordability by ensuring a stable workforce. In turn, the guarantee of a sustainable workforce attracts businesses and enhances a community's economic vitality.

2. How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units?

Longer deed restrictions sustain the affordable housing supply, stabilize communities, and reduce market volatility. However, they may limit potential market profits, potentially impacting buyer interest and financing availability. Financial institutions can view longer restrictions as reductions in future collateral value.

Overall, the impact of long deed restrictions depends on the intensity of restrictive covenants but can be beneficial when coupled with balanced restrictions, requiring less government subsidy in the long term to sustain affordability.

3. How do deed restrictions contribute to the preservation of affordable housing options for future generations?

Deed restrictions safeguard housing affordability by curtailing market speculation and price escalation. They ensure future residents, particularly younger generations and essential workforce populations, have access to affordable housing.

4. What are the benefits of having a predictable housing market because of longer deed restrictions?

Predictable housing markets via long-term deed restrictions encourage sustainable community development, enable better county planning, promote consistent housing affordability for the local market, and provide residents with financial planning certainty.

5. How can deed restrictions prevent gentrification and the displacement of long-term residents?

Deed restrictions isolate a subset of the housing market for only a certain pool of buyers. This approach maintains housing affordability, limits price spikes caused by national and international pressures, and deters speculative investors. It further preserves community diversity and prevents the displacement of long-standing residents.

6. How can deed restrictions ensure that essential workers are able to afford housing near their workplaces?

Deed restrictions ensure housing remains affordable for essential workers near employment hubs, reducing commute-related costs and stresses, improving worker retention, and enhancing community services.

7. What is the average length of an affordability deed restriction in the United States?

Typically, deed restrictions range from 20 to 50 years. However, many jurisdictions are moving towards longer or perpetual restrictions to sustain affordability. In this vein, Housing Hawai'i's Future (as part of the broader statewide conversation about Deed Restrictions) has been looking at the Vail, Colorado model.

8. How do deed restrictions address the inelasticity of the housing market?

Deed restrictions introduce controlled pricing within an otherwise inflexible housing market, ensuring that affordable options remain available to residents despite high market (i.e. outside) demand and limited local supply.

9. What factors should the Council consider when creating a policy to balance affordability and equity in homeownership?

The Council should weigh housing market stability, equitable wealth-building opportunities, community demographic impacts, accessibility to financing, and long-term affordability goals when creating policies.

The most important factor that is constantly forgotten is public sentiment. Whatever the length and depth of restriction, the question must be answered: Is the financial and implied

cost (the cost on lifestyle from the restrictions) something the market wants, needs, or is willing to tolerate?

10. How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events? Provide any specific policies the Council should consider.

To help mitigate displacement in times of emergency, mayoral emergency proclamation powers can be applied to expedite the enforcement of existing restrictions. For example, simple restrictions, such that any new rental agreements after the West Maui wildfires would be restricted to local residents working in the county (or were working before the disaster), could rein-in much of the maligned market. Furthermore, the council could have focused solely on non-county resident housing outside for those coming to assist with recovery efforts—a much more manageable task.

11. What are some risks when buying a deed-restricted home and how can they be mitigated? What are the risks for buying an unrestricted home?

Risks include limited appreciation and potentially fewer resale buyers, or over-restrictive covenants that make it difficult to fulfill or flex with life events. Mitigation strategies include homebuyer education, financial counseling, clear terms, emergency relief options, and reasonable deed restrictions.

Unrestricted homes carry market volatility and affordability risks pegged against off-shore incomes.

12. Should properties in different Area Median Income categories have similar or the same deed-restricted time periods?

This is subjective. There are no conclusive studies in Hawai'i that prove that restrictive time periods create any benefit over the other. A 2-year restriction or a 10-year restriction both end with a market-priced home; a shorter restriction just prevents homeowners from receiving a quick windfall (and the political fallout because of it), but extending it to 10 years is simply kicking the can down the road.

There are two clear options: a time-based restriction, or a restriction in-perpetuity. However, the time of a restriction does not live in a vacuum. Time and the type of restriction are factors that must be considered in tandem with each other. One does not exist without the other.

13. Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home?

See answer above.

Above all else—above policy, agenda, intention, or any other rationale—when setting a non-perpetuity restriction, restrictions must pass the eyeball test: does the restriction length match the type, and do they both match the unit type? Regardless of the unit type, the restrictions must flow with the natural lifecycle of residents and how they use housing.

14. Should the length of deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered.

Yes, albeit to an extent. As mentioned above, you cannot de-couple time and the type of restriction. The “time + restriction” sum is a single cost to the homeowner. A 10-year restriction with steep restrictive covenants may require a large subsidy, in contrast with a 10-year restriction with looser restrictions. Simplifying the equation to “time x subsidy” misses an integral part of the story.

15. What deed-restriction time periods would you recommend the Council consider?

Once again, this is contingent upon (1) the scale of investment imagined by the Council and (2) the **TYPE** of restrictions placed.

16. As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:

a. Do longer deed restrictions and 99-year leases prevent homeowners from taking out home equity loans?

Typically, equity loans may be limited due to reduced collateral valuation.

b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing?

It depends on the restriction. Typically, restrictions that end with housing turning over to open market housing suffer from a lack of federally-backed financing.

Financing for leasehold units is more complex; clear policies can mitigate lender hesitance. Here, it is critical that lenders enjoy ready access to clear, concise, and accurate information about the mechanics of a particular program.

Traditionally, programs like the Hawaiian Homes Program have struggled because of potential lender confusion and/or hesitance. Typically, these types of programs require all-cash or high initial down payment, making them cost prohibitive for entry-level homebuyers.

c. Can deed restrictions and 99-year leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home?

Restrictions can specify allowable refinancing and home equity borrowing, clearly articulated in agreements.

17. How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? Of those, how many units are still affordable today?

Exact numbers require data from the County's Housing Department. We will defer to them on the exact figures.

18. How can the County address and support each resident's need to afford a home?

The County should employ diverse strategies like subsidies, financial education, down-payment assistance, mixed-income developments, and zoning adjustments to boost supply. These strategies should build off two fundamental truths about affordable housing: you need (1) production and (2) protections, both in tandem.

Supply cannot catch demand without production; production without proper safeguards to make sure it goes to the right audience means new housing will continuously get absorbed by non-resident interests.

19. Do you have a preferred managed appreciation formula? If so, please explain.

Without going into great detail, we would recommend linking appreciation to local inflation, wages, or a hybrid model ensuring sustainable affordability while enabling homeowner equity growth. Tying appreciation to average GDP per capita means that housing departs from the speculative market and starts becoming a basic commodity everyone can enjoy without displacement. It also means that movement along the housing ladder is fluid, easier, and more accessible regardless of AMI bracket.

We would be happy to expound upon this idea further.

20. How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock?

The simplest and most impactful route is to impose strict residency requirements. In addition, ownership duration mandates, resale formulas, or penalties to deter speculative practices all can help.

21. How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity, and housing land trusts?

Each county has a lever they can adjust to temper appreciation: the number of deed-restricted properties. Counties should be isolating as much as they want protected from offshore interests.

Basic economic theory dictates that you can isolate as much or as little as you want, but the pricing will reflect the disparity between the percentage of deed-restricted homes versus what needs to be deed-restricted to prevent offshore money from influencing the market.

Therefore, the amount of inventory that needs to be isolated is a subset of how much of the local population is actively contributing to the economy locally—working at local businesses, servicing the local community, and living and paying taxes in Hawai'i.

If Maui's is 80% Hawai'i residents, 20% non-Hawai'i residents, creating a local housing market that houses 50% of the population means that 30% of the local population is left out of stabilized pricing, fighting with the remaining 20% of non-Hawai'i residents who statistically earn higher than local average wages.

If you have any more questions, we are happy to make ourselves available for the HLU Committee as a resource for continued discourse and discussion.

Thank you,



Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiiisfuture.org



Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiiisfuture.org



ANSWERS TO QUESTIONS
Housing and Land Use Committee Meeting on
Residential Workforce Housing Deed Restrictions (HLU-24)

Aspen Pitkin County Housing Authority's (APCHA) goal is to assure the existence of a supply of desirable housing for person currently employed in Pitkin County, persons who were employed in Pitkin County prior to retirement, and other qualified persons of Pitkin County as defined in the Aspen/Pitkin County Housing Authority's Regulations.

Below are the responses from Cindy Christensen, Deputy Director of Housing Operations and Property Management to the questions provided.

1. What is the connection between affordable housing and the local economy, and how could deed restrictions support this? The APCHA program began in the mid 1980's and always required some type of deed restriction. During the first few years, the deed restrictions were not in perpetuity but were based on the life of the County Commissioners/City Council who approved of the development at that time. The language basically was that the restriction remained until 25 years after the death of the last County Commissioner/City Council who approved the development. From the late 1980's to now, all deed restrictions now are in place in perpetuity.
2. How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units? APCHA has in its inventory over 3,000 deed restricted units – around 1600 are ownership-type units and the others are rentals. This has not adversely affected any financing, sales of free market homes next door to the deed restricted properties, etc. The financial institutions in the area understand our deed restrictions and have no issues with providing funding.
3. How do deed restrictions contribute to the preservation of affordable housing options for future generations? They keep the property affordable, and the majority of the ownership properties have to be listed and sold through APCHA. The ownership properties appreciate at a certain rate also keeping the properties affordable.
4. What are the benefits of having a predictable housing market because of longer-deed restrictions? The community knows that no matter what, there will always be a certain number of units available to employees of Pitkin County.
5. How can deed restrictions prevent gentrification and the displacement of long-term residents? Currently, owners and renters have the ability to remain in their homes after



retiring, as long as a certain number of years have been maintained working, and they are a certain age.

6. How can deed restrictions ensure that essential workers are able to afford housing near their workplaces? The Hospital and School District are two entities that have units specifically designated for them, thereby guaranteeing at least some affordable housing options.
7. What is the average length of an affordability deed restriction in the United States? I do not know. APCHA's is in perpetuity.
8. How do deed restrictions address the inelasticity of the housing market? This does not happen in the Aspen/Pitkin County area.
9. What factors should the Council consider when creating a policy to balance affordability and equity in homeownership? The City of Aspen and Pitkin County both have real estate transfer taxes that go into the development and maintenance of the affordable (deed restricted) housing market. The majority of the deed restricted ownership units can only appreciate at a certain amount each year, along with rental rates in the rental deed restricted units, maintaining affordability in the long run.
10. How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events? I wish I had a good response to this question, but Aspen/Pitkin County has not had to deal with this that would take out a high number of units. I do remember that one of the deed restricted rental projects that contain 80 units had a fire and lost one of their buildings. APCHA and the community stepped up to help those displaced until the property could rebuild.
11. What are some risks when buying a deed restricted home and how can they be mitigated? What are the risks of buying an unrestricted home? To answer the first question, a person is buying a home at a subsidized rate. However, maintaining that home up to specific standards requires paying free market prices, which is hard for a lot of families. APCHA properties are seeing massive increases in HOA dues due to property insurance. Aspen and Pitkin County are surrounded by forests. As to the second question, there is currently no property within the Roaring Fork Valley that a working family can purchase. Our program started with the idea that a renter could move from a lower category residence to a higher one, then purchase a deed restricted home, with the hope of eventually selling and moving into the free market arena. That is no longer possible up and down the Roaring Fork Valley.
12. Should properties in different Area Median Income categories have similar or the same deed-restricted time periods? All should be in perpetuity.

13. Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home? Again, all should be deed restricted in perpetuity.
14. Should the length of the deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered? It is so important to keep all deed restricted units in perpetuity.
15. What deed-restriction time periods would you recommend the Council Consider? Deed restrict the properties in perpetuity.
16. As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:
 - a. Do longer deed restrictions and 99-year leases prevent homeowners taking out home equity loans? APCHA only has one property where Pitkin County maintains ownership of the land and the owners own their home. The land lease was for 50 years. A few years ago, it went under 30 years and a couple of the homeowners were refinancing. Pitkin County amended their lease back to 50 years. There have been no issues with any of the owners getting financing.
 - b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing? Not in the Aspen/Pitkin County area. However, we strongly advise that any potential buyer stay within the valley to obtain financing as the lenders are familiar with our program
 - c. Can deed restrictions and 99-years leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home? APCHA allows any owner to refinance their home. However, the lenders do contact APCHA asking for the current value of that home. The letter we provide states the current value of the home, that the owner has the approval to refinance, but cannot refinance over that current maximum value provided in that letter.
17. How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? Not applicable to APCHA.
18. How can the County address and support each resident's need to afford a home? In our area, there is never enough. APCHA is workforce housing for Pitkin County, but we are also the area up and down our valley that has any type of affordable housing options. There are employees who are traveling up to two hours one way to get to their jobs. The



City of Aspen is currently working on a new project that will provide an additional 277 rental units within the new three years.

19. Do you have a preferred managed appreciation formula? Currently, the majority of the ownership units appreciation at 3% or the Consumer Price Index, whichever is less. APCHA is currently recommending a change to this formula to a flat percentage – 4% possibly. This would require any owner interested in this to enter into an updated deed restriction.
20. How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock? The City of Aspen and Pitkin County have specific regulations in their Land Use Codes that require employee housing mitigation if the property ever housed employees. Aspen also has had some owners who understand the need and have offered lower prices to the Aspen School District, the Hospital District, as well as the Fire District.
21. How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity and housing land trust? At one point, the City of Aspen and Pitkin County had set a specific percentage of how many employees should be covered. The numbers have changed over the years to 50% to 60% of employees should be housed in what they consider the urban growth boundary. This changes on what needs to be provided as we do allow people to retire in their units. This is something that is being looked into but right now if you required a retiree to move, they would have to leave the area as there is no place affordable for them to move to and still stay in the valley.

Any questions or any further explanation, please do not hesitate to contact me at 970-920-5455 or cindy.christensen@aspen.gov.

HLU Committee

From: HLU Committee
Sent: Monday, March 10, 2025 7:53 AM
To: HLU Committee
Subject: FW: Invitation to March 10, 2025, Maui County Council Housing and Land Use Committee Meeting
Attachments: WorkforceHsgDisResponses.2025.0310.docx

From: Cindy Christensen <cindy.christensen@aspen.gov>
Sent: Monday, March 10, 2025 7:13:49 AM
To: James G. Krueger
Cc: HLU Committee
Subject: RE: Invitation to March 10, 2025, Maui County Council Housing and Land Use Committee Meeting

Any questions or additional explanation, please do not hesitate to contact me.

Cindy Christensen
Deputy Director of Housing, Operations & Property Management
Aspen/Pitkin County Housing Authority (APCHA)
cindy.christensen@aspen.gov
18 Truscott Place | Aspen, CO 81611
(970) 920-5050 - Main
(970) 920-5455 - Direct



JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawai'i*



KALI WATSON
CHAIRMAN, HHC
Ka Luna Ho'okele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawai'i

P O BOX 1879
HONOLULU, HAWAII 96805

April 12, 2024

Name
Address
City, State ZC

Aloha,

Subject: Pu'uhona Subdivision Residential Offering – Phase I
Notice of Orientation Meeting & Indication of Interest

The Department of Hawaiian Home Lands in partnership with DDC1 LLC, an affiliate of Dowling Company, Inc. is excited to offer 52 residential homes in the Pu'uhona Subdivision in Waikapū, Hawai'i. This offering is available to Maui Undivided Interest (UI) Lessees and applicants on the Maui Island Wide Residential Waiting List. Undivided Interest Lessees will have a priority at lot selection since they currently have leases to a lot on Maui. Applicants on the waitlist invited for this offer have application dates up to June 30, 2006.

For more project information, please visit: <https://dhhl.hawaii.gov/awards/>, <https://www.puuhona.com/>

ORIENTATION MEETING

The orientation meeting will provide information about the Pu'uhona Subdivision such as, home models and pricing, financial qualification, lenders, types of loans, etc. Your attendance is important but not mandatory. If you will be attending in person, please RSVP your full name to info@puuhona.com by April 26, 2024. . A virtual option has been included below for those unable to attend in person.

Seating is limited. Please attend only one session according to your last name.

Date: May 4, 2024 (Saturday)

Location: Kamehameha Schools Maui – Keōpūolani Hale
275 'A'apueo Pkwy, Pukalani, HI 96798

Session #1 Last name letters *A to Ka only*

Registration: 8:30 am

Meeting: 9:30 to 11:30 am

Virtual Link:

<https://dhhl-hawaii-gov.zoom.us/j/84821135317?pwd=RitKQXBCYmd3QzFja3d2YUdaaWFHZz09>

Meeting ID: 848 2113 5317

Passcode: 274669

• +1 669 900 6833 US (San Jose)
Meeting ID: 848 2113 5317
Passcode: 274669

Session #2 **Last name letters *Ke to Z* only**
Registration: 12:30 pm
Meeting: 1:00 to 3:00 pm

Virtual Link:
<https://dhhhl-hawaii-gov.zoom.us/j/81950629806?pwd=NXRGVnFtSjJudFI6RHB3N3JFbXIOUT09>
Meeting ID: 819 5062 9806
Passcode: 172287

• +1 669 900 6833 US (San Jose)
Meeting ID: 819 5062 9806
Passcode: 172287

If you are interested in this offering, please submit the **Response Form (enclosed)** and **Prequalification Letter** – postmarked by **May 24, 2024** to:

DEPARTMENT OF HAWAIIAN HOME LANDS
AWARDS BRANCH
P.O. BOX 1879
HONOLULU, HAWAII 96805

Prequalification letters must be from a lender authorized to do business in Hawaii and on the Department of Hawaiian Home Lands properties. The developer's project lender is listed below.

Central Pacific Bank	Cindi Pojas Smith	Phone: 808-283-8371	Cindi.smith@cpb.bank
	Kim Macadangdang	Phone: 808-281-5861	Kim.macadangdang@cpb.bank
	Carol Takeuchi	Phone: 808-561-1119	Carol.takeuchi@cpb.bank

Or you may select an FHA or USDA lender of your choice. VA lender if you are a veteran.

The Department of Hawaiian Home Lands is dedicated to fulfilling Prince Kuhio's mission through the Hawaiian Homes Commission Act of 1920, amended, to return native Hawaiians to their lands. We look forward to seeing you at the orientation meeting on May 4, 2024.

If you have any questions, please call the DHHL Contact Center at 808-620-9500.

Disclaimer:

Pursuant to Title 10 Administrative Rule § 10-3-23: Awards to Previous Lessees. If you are a previous lessee and this information is discovered after the offer is mailed, you will be ineligible to receive the offering and award of a lease to this lot.

Aloha,



Kali Watson, Chairman
Hawaiian Homes Commission

Enclosures: Response Form

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii'*

SYLVIA J. LUKE
LT. GOVERNOR
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*Ka Hope Kia'āina o ka Moku'āina
'o Hawaii'*



KALI WATSON
CHAIRPERSON, IHIC
Ka Luna Ho'ohole

KATIE L. LAMBERT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'ohole

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawaii'

P O BOX 1879
HONOLULU, HAWAII 96805
December 20, 2024

Name
Address
City, State ZC

Subject: Pu'uhona Subdivision Residential Offering – Phase 2
Notice of Orientation Meeting & Indication of Interest

Aloha,

The Department of Hawaiian Home Lands in partnership with DDC1 LLC, an affiliate of Dowling Company, Inc. is pleased to announce the availability of 91 residential homes in the Pu'uhona Subdivision in Waikapū, Hawai'i. This offering is available to Waiohuli Undivided Interest (UI) Lessees and applicants on the Maui Island Wide Residential Waiting List. Undivided Interest Lessees will receive priority during lot selection, as they currently have leases on Maui. Applicants on the waitlist with application dates up to 12/31/2023 are eligible for this opportunity.

Home Model and Pricing:

<u>Model</u>	<u>Bedroom/Bath</u>	<u>Living Sq. Ft</u>	<u>Price</u>
Lililehua	2 / 1	1,369	\$411,422
Ilima	3 / 2	1,784	\$509,800
Mokihana	4 / 3	2,118	\$645,000
Lehua	4 / 3	2,152	\$662,000
Maile	4 / 3 ADA	2,143	\$662,000
Lokelani	5 / 3	2,212	\$699,000
Koa	5 / 3 ADA	2,143	\$699,000

For more project information, please visit: <https://dhhl.hawaii.gov/awards/>, <https://www.puuhona.com/>

ORIENTATION MEETING

We invite you to join us for an orientation meeting where you will receive important information about the Pu'uhona Subdivision, including available model homes, financial qualifications, lenders, and loan options. While your presence is encouraged, it is not required. To RSVP for either in-person or virtual attendance, please respond by January 3, 2025, to the QR code provided below. A virtual option is available for those who cannot attend in person.

DATE: January 11, 2025 (Saturday)
LOCATION: Kamehameha Schools Maui
Ka'ulaheanuikamoku High School Gym
275 'A'apueo Pkwy, Pukalani, HI 96768
REGISTRATION: 8:15 AM
MEETING TIME: 9:00 AM - 12:30 PM



Join Zoom Meeting

<https://dhh-hawaii-gov.zoom.us/j/82819157604?pwd=5uMkgZpL61yD4LUqxaErhrEIHEqfi5.1>

Meeting ID: 828 1915 7604

Passcode: 565539

• +1 669 900 6833 US (San Jose)

Meeting ID: 828 1915 7604

Passcode: 565539

If you are interested in this opportunity, please complete and submit the enclosed Response Form and a Prequalification Letter, postmarked by **March 7, 2025**, to the following address:

DEPARTMENT OF HAWAIIAN HOME LANDS
LDD Housing Project Branch
91-5420 Kapolei Parkway
Kapolei, HI 96707

The Prequalification letters must be from a lender authorized to do business in Hawaii and on the Department of Hawaiian Home Lands properties. Below is the contact information for the developer's project lender:

Central Pacific Bank	Cindi Pojas Smith	Phone: 808-283-8371	Cindi.smith@cpb.bank
	Kim Macadangdang	Phone: 808-281-5861	Kim.macadangdang@cpb.bank

Alternatively, you may select an FHA or USDA lender of your choice, or a VA lender if you are a veteran. Other project lender's information is available on www.puuuhona.com website. We strongly recommend contacting a lender as soon as possible to obtain financial prequalification.

Important Dates:

- **January 11, 2025** Orientation Meeting (In-person & virtual)
- **March 7, 2025** Deadline for Response Form and Prequalification letter
- **April 5, 2025** Lot Selection Meeting (For prequalified buyers only)

We encourage you to review the information available on the websites carefully to prepare for the Orientation Meeting.

The Department of Hawaiian Home Lands is dedicated to fulfilling Prince Kuhio's mission through the Hawaiian Homes Commission Act of 1920, amended, to return native Hawaiians to their lands. We look forward to welcoming you on **January 11, 2025**.

For any questions, please contact the DHHL Housing Project Branch at **(808) 730-0311**.

Disclaimer:

Pursuant to Title 10 Administrative Rule §10-3-23: Awards to Previous Lessees. If you are a previous lessee and this information is discovered after the offer is mailed, you will be ineligible to receive the offering and award of a lease to this lot.

Aloha,



Kali Watson, Chairperson
Hawaiian Homes Commission

Enclosures: Response Form

Hawaii Financial Services

Est. 2003

County of Maui
200 S. High Street
Wailuku, HI 96793

March 9, 2025

Housing and Land Use Committee

RE: BILL 22 (2024), BILL 12 (2023), AND BILL 74 (2023), RELATING TO RESIDENTIAL WORKFORCE HOUSING DEED RESTRICTIONS (HLU-24)

125MAR12 8:07AM OCS

Aloha Chair Kama and Maui County Council Members,

I appreciate the Council's request for my input and involvement in this critical conversation regarding our community's much-needed affordable housing solutions and the role deed restrictions play in making homes truly affordable. As a lender and real estate professional in Hawaii for 34 years, I have studied deed restrictions to ensure they meet GSE guidelines and have successfully financed mortgages on deed-restricted properties many times. In 2017, I was asked to help review, rewrite, and confirm that potential Maui County deed restrictions for new developments aligned with GSE regulations. I provided direct federal guidelines from GSEs, proving that the draft deed restrictions met Fannie Mae, Freddie Mac, USDA, VA, and FHA/HUD lending requirements. Given this experience, I believe I can offer a unique and valuable perspective. Below are my responses to the questions posed.

1. What is the connection between affordable housing and the local economy, and how could deed restrictions support this?

Affordable housing is critical to a sustainable local economy because it ensures that essential workers—such as teachers, healthcare professionals, police, firefighters, and hospitality staff—can live within the communities they serve. Deed restrictions prevent speculative resale, maintain stable housing prices, and ensure long-term workforce retention. This stability contributes to economic growth, as businesses benefit from a reliable workforce that is not displaced due to rising housing costs.

2. How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units?

Longer deed restrictions maintain affordability for the long term, which is crucial as many generational families have been forced to leave their ancestral homes due to rising costs. Some buyers might hesitate to invest in homes with resale restrictions, and that's perfectly fine because these homes should be looked at as "forever homes," not steppingstones to make large profits. Deed restrictions provide stability in the local economy by ensuring that housing remains accessible to workforce residents rather than investors or second-home buyers.

Furthermore, I would like to add, studies have shown—and common sense confirms—that the inability to afford basic housing leads to stress-related declines in mental health, nutritional sacrifices, delayed healthcare, child and spousal abuse, addiction, and more. In the end, we all pay for these societal impacts. I say this from personal experience, having been homeless as a new mother with a baby, unable to afford rent.

Proud Member Of:

Office: (808) 667-LOAN | Cellular (808) 870-3653 | eFax (808) 442-1217
727 Waine'e Street, Suite 107, Lāhainā Maui Hawaii 96761
1063 Lower Main Street, Suite 221, Wailuku Maui Hawaii 96793 (2024 Temporary Location)
eMail: Tera@Paleka.com
Website: www.HawaiiFinancialServices.com
Company NMLS#: 1566069 | Individual NMLS#: 357949

3. How do deed restrictions contribute to the preservation of affordable housing options for future generations?

By capping resale prices and limiting buyer eligibility to specific income brackets, deed restrictions prevent price inflation and speculative sales, preserving affordable housing stock for future generations.

4. What are the benefits of having a predictable housing market because of longer deed restrictions?

A predictable housing market stabilizes home prices, preventing drastic spikes or declines. This benefits both homeowners and local governments by ensuring long-term affordability, reducing displacement, and allowing for consistent property tax revenue planning.

5. How can deed restrictions prevent gentrification and the displacement of long-term residents?

By limiting resale prices and requiring new buyers to meet income qualifications, deed restrictions help prevent wealthier buyers from displacing long-term residents. Additionally, owner-occupancy requirements ensure that housing stock remains in use by residents rather than investors or potential short-term rental operators (not such an issue for our county with our STR laws but should they relax, this could be an issue down the road).

6. How can deed restrictions ensure that essential workers are able to afford housing near their workplaces?

By incorporating workforce-specific eligibility requirements, deed restrictions can prioritize housing for essential workers in fields such as healthcare, education, and emergency services. This reduces commuter burdens, the day to day stresses we already face trying to simply afford eggs much less housing and in the end we strengthen community ties having a happier and healthier neighbor who might grumble about the cost of gas (don't we all) but is grateful they can afford their mortgage.

7. What is the average length of an affordability deed restriction in the United States?

I went and looked this up and found that the length varies, but common affordability periods range from 30 to 99 years, with some municipalities implementing restrictions in perpetuity.

8. How do deed restrictions address the inelasticity of the housing market?

Deed restrictions stabilize housing availability by preventing speculative market-driven price fluctuations, ensuring a steady supply of affordable units.

9. What factors should the Council consider when creating a policy to balance affordability and equity in homeownership?

Key factors include resale formulas, equity growth opportunities, homeowner education, and financing accessibility. Listen, we are not looking to make every single new development be 100% workforce housing or to force these deed restrictions on a majority of developers new home sales. It is a small number of units which is extremely reasonable being what we have come from for well over 50 years now. There will always be "open market" units available to purchase, why can't we

Hawaii Financial Services

Est. 2003

incorporate a few workforce housing units within each new project. There must be give and take for our local community. There has only been "take" thus far and thus my need to type out answers to these very questions.

10. How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events?

The Council should incorporate hardship clauses allowing for temporary relief, buybacks, or lease extensions for homeowners affected by unforeseen events.

11. What are some risks when buying a deed-restricted home, and how can they be mitigated? What are the risks for buying an unrestricted home?

Deed-restricted homes may have limited equity growth, but this can be mitigated with shared appreciation models. Unrestricted homes carry market-driven affordability risks and may be subject to speculative pricing.

12. Should properties in different Area Median Income (AMI) categories have similar or the same deed-restricted time periods?

I believe that time periods should be tailored to AMI categories, ensuring that lower-income households benefit from extended affordability protections.

13. Should there be different deed-restriction time periods for different types of homes?

Yes, multifamily units may require different restrictions than single-family homes due to varying market dynamics and affordability needs.

14. Should the length of deed restrictions correspond to the amount of County funding a project receives?

Yes, projects with higher public subsidies should have longer deed restrictions to maximize affordability impact.

15. What deed-restriction time periods would you recommend the Council consider?

A minimum of 20 to 30 years with options for renewal, ensuring long-term affordability.

16. As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:

a. Do longer deed restrictions and 99-year leases prevent homeowners from taking out home equity loans?

- Absolutely not, DHHL homes are in my opinion as one of the only available lenders in the state that finances DHHL, are kept for generations and not looked at as being a form of asset leverage as most homes today are. I cannot find statistics for my comment but I can say in my professional opinion of over 34 years with 24 of them financing DHHL HomeLoans statewide that I would account for less than 97% of DHHL mortgage payoffs being for resales.

b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing?

- Yes and no. As one of the only lenders in our state who does actually finance these types of loans, I will say that various investors have not wanted to finance DHHL simply because they do not understand the concept. The margins are very large on these loans being that they are government backed. Then add that the risk involved is zero percent being that should a homeowner default the loan is 100% insured because only FHA or USDA can finance DHHL and then secondly, if a homeowner defaults DHHL immediately purchases the loan from whichever servicer holds the loan. So it's as if it's double insured while having large profit margins. Again, it's a matter of the various asset risk management dept heads taking the time to educate themselves on the nuances of how DHHL works. I have convinced several large investors who lend in HI to open up their product portfolio to incorporate DHHL over the years. It's not easy to teach an old dog new tricks but if you find one who is willing to listen it can happen.

c. Can deed restrictions and 99-year leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home?

- DHHL already has their own policies in place regarding the amount of equity one can cash out on their home and if you would like to learn more about this I am more than willing to help further.

17. How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? How many are still affordable today?

I'm again confused as to why this question may be asked of me/us. I would think county records must be reviewed for exact figures, but additional data tracking measures should also be implemented for transparency as I could not find this information. I believe this should be something that the county should have been tracking all along and I am confused as to why you would be asking us this very question.

18. How can the County address and support each resident's need to afford a home?

By increasing affordable housing production, strengthening a percentage of deed restrictions for each new development, and expanding financial assistance programs such as the Lokahi Pacific First Time Homebuyer Grant or the most recent county's "First-Time Home Buyer's Down Payment Assistance Program". Most municipalities across the nation have many FTHB grant programs and as a lender I am constantly hearing about all the other states' programs being acceptable to my investors. I believe it is crucial that our State & County look to fulfill more grant programs annually for our local community.

19. Do you have a preferred managed appreciation formula? If so, please explain.

I myself do not have a preferred managed appreciation formula but in doing my research I found the following information of which I am sure you folks have already come across but just in case I am attaching another document with links and additional information for communities that have enacted and use shared appreciation in various forms.

Hawaii Financial Services

Est. 2003

20. How can the County prevent investors from buying and flipping affordable housing units?

By enforcing resale restrictions, owner-occupancy requirements, and right-of-first-refusal clauses.

21. How much affordable housing inventory should be isolated from the general housing market?

My belief is that we should start with a target of at least 25% of the overall housing inventory that should be maintained under affordability restrictions to ensure long-term workforce housing stability.

Mahalo for your time and an opportunity to serve my community,



Tera L.H. Paleka, CMPS
Certified Mortgage Planning Specialist™
Principle Broker In Charge

Attached: Shared Appreciation in Deed-Restricted Program Research

Proud Member Of:

Office: (808) 667-LOAN | Cellular (808) 870-3653 | eFax (808) 442-1217
727 Waine'e Street, Suite 107, Lāhainā Maui Hawaii 96761
1063 Lower Main Street, Suite 221, Wailuku Maui Hawaii 96793 (2024 Temporary Location)
eMail: Tera@Paleka.com
Website: www.HawaiiFinancialServices.com
Company NMLS#: 1566069 | Individual NMLS#: 357949

Shared Appreciation in Deed-Restricted Programs:

Shared appreciation mechanisms in deed-restricted homeownership programs are designed to maintain long-term affordability while allowing homeowners to build equity. These programs typically involve agreements where homeowners share a portion of their property's appreciation upon resale, ensuring that the homes remain affordable for future buyers.

Notable Examples of Successful Implementations:

- **Grounded Solutions Network's Model Deed Restriction:**

Grounded Solutions Network has developed a Model Deed Restriction to standardize and promote best practices in shared equity homeownership. This model has been adopted by various programs aiming to preserve long-term affordability. [Manistee News+2localhousingsolutions.org+2Federal Housing Finance Agency+2](#)

- **Good Deeds Program in Roaring Fork Valley, Colorado:**

The Good Deeds program provides upfront funds to homebuyers in exchange for deed restrictions that ensure long-term affordability. This initiative aims to bridge the gap between market prices and what is affordable to local buyers, effectively converting existing free-market homes into permanently affordable housing. [eaglecounty.us](#)

Reported Outcomes and Effectiveness:

- **Preservation of Affordability:**

Studies have shown that shared equity homeownership programs with resale restrictions can serve three to five times as many households over fifty years compared to traditional grant programs. This efficiency is achieved by recycling the initial subsidy to maintain affordability for successive buyers. [Harvard JCHSlocalhousingsolutions.org](#)

Community Land Trusts (CLTs):

CLTs are a form of shared equity homeownership that use ground leases to ensure lasting affordability. There are over 250 CLTs across the country, and they have been effective in providing stable, affordable housing options. [assetfunders.org+2National Library of Canada+2Network for Philadelphia+2Network for Philadelphia+1National Library of Canada+1](#)

Considerations for Implementation:

- **Standardization and Best Practices:**

The development of model deed restrictions and certification systems has been promoted to ensure consistency and effectiveness in shared equity programs. For instance, Fannie Mae has worked on standardizing these practices to facilitate broader adoption and lender participation. [Federal Housing Finance Agency](#)

- **Community Collaboration:**

Successful programs often involve collaboration between local governments, non-profit organizations, and community members. For example, efforts in Onkama, Michigan, to address housing shortages include exploring the establishment of a community land trust, drawing inspiration from neighboring Frankfort's successful initiatives. [Manistee News](#)

My Conclusion:

Shared appreciation mechanisms within deed-restricted affordable housing have been effectively utilized in various U.S. counties and municipalities to preserve long-term affordability. Programs that incorporate standardized practices, community collaboration, and clear guidelines tend to report higher success rates in maintaining affordability and serving a greater number of households over time.

HLU Committee

From: Tera Lyn Ha'aheoohonua Paleka <tera@paleka.com>
Sent: Thursday, March 13, 2025 12:13 PM
To: James G. Krueger; HLU Committee
Cc: Team HIFIS; Misty Griffiths
Subject: MAUI-HLU 03-13-25 FURTHER INFO FROM TERA PALEKA - ASPEN MOST RECENT DEED RESTRICTIONS AND INFO DIRECTLY FROM ASPEN'S DEPUTY DIRECTOR OF HOUSING
Attachments: DR.EDU.Master.2021.0322.pdf; 2025.MasterDR.2025.0124.pdf; Aspen Cindy Response - WorkforceHsgDisResponses.2025.0310.pdf
Importance: High

Below is the comment regarding the ability to have FHA financing that Aspen are indeed still receiving FHA financing on their projects. I have already reached out to one of the actual lenders in Aspen that finances over the enclosed restrictions to make sure which FHA product they are financing under but I can almost guarantee it's the same Section of the Act 203b or 203c FHA programs Misti and I finance over. I am also checking on the HUD Section 184A, Tribal Lending for their restrictions as I just got approved to finance these loans after waiting years to do so. I will report back if that indeed is what HLU Komike wishes.

EMAIL FROM ASPEN DEPUTY DIRECTOR OF HOUSING=

From: Cindy Christensen <cindy.christensen@aspen.gov>
Sent: Thursday, March 13, 2025 10:46 AM
To: Tera Lyn Ha'aheoohonua Paleka <tera@paleka.com>
Subject: RE: ALOHA CINDY

When I first started working for APCHA, buyers could get FHA financing for each purchase. This did change for a few years as we have the right of first refusal if a home goes into foreclosure. Never made sense to us as we buy it on the courthouse steps each time and the lender (of the first deed of trust only) has always been made whole.

This has changed over the last couple of years and our buyers are now getting FHA financing. Most of our ownership units appreciation at 3% or the Consumer Price Index, whichever is less, each year. Whatever the appreciation is, the seller gets that. However, they are required to see through APCHA and we charge a 2% sales fee of the sales price at closing.

[REGARDING MY QUESTION TO CINDY ON AN EARLIER EMAIL WHERE I ADVISED SOME DEVELOPERS POSED TO OUR COUNCIL MEMBERS THAT THEY HAVE HAD A DIFFUCULT TIME FINDING INVESTORS WHO WOULD FINANCE DEVELOPER PROJECTS IF THERE WERE DEED RESTRICTIONS]

There is usually a free market component as part of that development that helps pay for that development. The free market unit prices are high enough to cover and deficit that they may see. Aspen has not had any major development that has been done over the last 4 years besides the City. The City has a real estate transfer tax to help pay for the development.

Hope this makes sense.

Cindy Christensen

Deputy Director of Housing, Operations & Property Management
Aspen/Pitkin County Housing Authority (APCHA)

cindy.christensen@aspen.gov

18 Truscott Place | Aspen, CO 81611

(970) 920-5050 - Main

(970) 920-5455 - Direct



Tera

[Click here](#) to upload files



Tera L.H. Paleka, CMPS | Dream Alchemist

Certified Mortgage Planning Specialist

Maui County Affordable Housing Special Task Force Member 2017-Current

President of The Rotary Club of Lāhainā Sunrise 2015-2016

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tel (808) 667-LOAN | text & direct (808) 649-4070 | eFax (808) 442-1217



p.s. Please be sure to always cc "The HIFIS Team" at: Team@HawaiiFinancialServices.com

Meet The Team:

Cassie Paio

Office Warlord & Coordinator of Interpretive Lending

Cassie@HawaiiFinancialServices.com

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Leslie Sabado

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Billing & all mailed material: P.O. Box 342, Wailuku HI 96793

[illegible]



**OCCUPANCY DEED RESTRICTION AND AGREEMENT
FOR AN EMPLOYEE DWELLING UNIT
APPROVED PURSUANT TO ORDINANCE/ RESOLUTION NO. [REDACTED]**

THIS OCCUPANCY DEED RESTRICTION AND AGREEMENT (the "Deed Restriction") is made and entered into this _____ day of _____, 20____, by and between [REDACTED], whose address is [REDACTED] (hereinafter referred to as "Owner"), and the **ASPEN/PITKIN COUNTY HOUSING AUTHORITY (hereinafter "Authority")**, a multi-jurisdictional housing authority established pursuant to the **INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF ASPEN AND PITKIN COUNTY ESTABLISHING THE ASPEN/PITKIN COUNTY HOUSING AUTHORITY** recorded on June 27, 2019 at Reception No. 656927 of the records of the Pitkin County Clerk and Recorder's Office (hereinafter referred to as "Authority").

WITNESSETH

WHEREAS, Owner is the owner in fee simple of _____, according to the Final Plat thereof recorded _____ as Reception No. _____, City of Aspen, Pitkin County, Colorado, on which has been constructed _____ (hereinafter referred to as "Real Property"); and

WHEREAS, the project contains _____ that are depicted and described as Affordable Housing Units _____ on the _____ map recorded as Reception No. _____ and in the Declaration of Covenants recorded at Reception No. _____.

WHEREAS, the Affordable Housing Unit(s) contains a minimum of _____ square feet of net livable area as required by Resolution/Ordinance No. _____ recorded on _____ as Reception No. _____; and

WHEREAS, Owner desires by this instrument to deed restrict the use and occupancy of the Affordable Housing Unit(s) to persons who are employed in Pitkin County (and their families) and who meet the qualification regulations set forth in the **Aspen/Pitkin Employee Housing Regulations** established and indexed by the Authority on an annual basis (the "Regulations"), and as they are amended from time to time; and

WHEREAS, this Agreement imposes certain covenants upon the Property which restrict the use and occupancy of the Employee Dwelling Unit (hereinafter "EDU") to employees and their families who are employed in Pitkin County and meet the qualification regulations established and indexed by the Authority on an annual basis.

NOW, THEREFORE, in consideration of the mutual promises and obligations contained herein, the Owner hereby covenants and agrees as follows:

1. Owner hereby covenants that the Employee Dwelling Unit described above shall at all times remain a rental unit and shall not be condominiumized unless approved by the Authority or the City of Aspen.



2. The use and occupancy of the EDU shall henceforth be limited exclusively to housing for employees and their families who are employed in Pitkin County and who meet the definition of "qualified Category [redacted] employee" as that term is defined by the qualification regulations established and indexed by the Authority on an annual basis, and as they are amended from time to time. The Owner shall have the right to lease the EDU to a "qualified Category [redacted] employee" of his own selection.
3. The EDU shall not be occupied by the Owner or members of the immediate family ("Immediate Family" shall mean a person related by blood or marriage who is a first cousin [or closer relative] and his or her children) nor shall the EDU be used as a guesthouse or guest facility.
4. A long-term application packet must be completed and provided to the Authority along with written verification of employment of employee(s) proposed to reside in the EDU and filed with the Authority by the Owner of the EDU prior to occupancy thereof, and such verification must be acceptable to the Authority.
5. Prior to occupancy of the EDU, the Authority must qualify the tenant. All verification required under the Regulations must be provided. The tenant must provide the owner/landlord with proof of verification and qualification by the Authority prior to occupancy.
6. The owner shall be required to provide a copy of the lease agreement to the Authority for approval. Leases shall meet occupancy standards and allowable rental rates and shall be for a minimum term of six (6) consecutive months. Owner shall provide an executed copy of the lease to the Authority prior to occupancy.
7. The maximum rental rate shall not exceed the Category [redacted] rental rate as set forth in the Regulations established by the Authority and may be adjusted annually as set forth by the Regulations. The maximum permitted rent for the unit on the date of execution of this deed restriction is \$[redacted] per month. Rent shall be verified and approved by the Authority upon submission and approval of the lease. Employees shall be qualified by the Authority as to employment, maximum income and asset limitations.
8. The Unit must meet minimum occupancy, i.e., one person per bedroom.
9. Upon vacancy of the EDU, the Owner is granted forty-five (45) days in which to locate a qualified employee. If an employee is not placed by the Owner, the Authority may rent the EDU to a qualified employee.
10. Owner agrees to provide to the Authority upon request all information reasonably necessary to determine if there is full compliance with this Agreement.
11. In the event that the Authority has reasonable cause to believe the Owner and/or tenant is violating the provisions of this Agreement, the Authority, by its authorized representative, may inspect the Property or EDU between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, after providing the Owner with no less than 24 hours' written notice.
12. The Authority, in the event a violation of this Agreement is discovered, shall send a notice of violation to the Owner and/or tenant, as may be applicable, detailing the nature of the violation and following



the Notice of Violation policy as stated in the Regulations, as well as assess fines as noted in the Regulations.

13. There is hereby reserved to the parties' hereto any and all remedies provided by law for breach of this Agreement or any of its terms. In the event the parties resort to litigation with respect to any or all provisions of this Agreement, the prevailing party shall recover damages and costs, including reasonable attorney's fees, as well as any fees that may be instituted within the Regulations and as they are amended from time to time.
14. In the event an EDU is leased without compliance herewith, such lease shall be wholly null and void and shall confer no title whatsoever upon the purported tenant. Each and every lease, for all purposes, shall be deemed to include and incorporate by this reference, the covenants herein contained, even without reference therein to this Agreement.
15. In the event that the Owner or tenant fails to cure any breach, the Authority may resort to any and all available legal action, including, but not limited to, specific performance of this Agreement or a mandatory injunction requiring compliance by Owner and/or tenant.
16. Whenever possible, each provision of this Agreement and any other related document shall be interpreted in such a manner as to be valid under applicable law; but if any such provision shall be invalid or prohibited under applicable law, such provision shall be ineffective to the extent of such invalidity or prohibition without invalidating the remaining provisions of this Agreement or other document.
17. No claim of waiver, consent or acquiescence with respect to any provision of this Agreement shall be valid against any part hereto except on the basis of a written instrument executed by the parties to this agreement. However, the party for whose benefit a condition is inserted herein shall have the unilateral right to waive such condition.
18. The parties to this Agreement agree that any modifications of this Agreement shall be effective only when made in writing, signed by both parties and recorded with the Clerk and Recorder of Pitkin County, Colorado.
19. The terms and provisions of this Deed Restriction shall constitute covenants running with the title to the EDU as a burden thereon for the benefit of, and shall be specifically enforceable by, the Managing Agent, the Association and/or Owner, by the Authority, the City of Aspen, Colorado, and by their respective successors and assigns, by any appropriate legal action including, but not limited to, injunction, abatement, or eviction of non-qualified tenants.
20. Owner and the Authority stipulate and agree that, in accordance with CRS 38-12-301(1)(a) and (b), this Deed Restriction constitutes a voluntary agreement and deed restriction to limit rent and/or sales price on the property subject hereto and to otherwise provide affordable housing stock. Owner waives any right it may have to claim that this Deed Restriction violates CRS 38-12-301.
21. When the option to convert any unit to a sale unit is exercised, the owner must adopt a new deed restriction in the form adopted by the Authority that is applicable to sale units.



IN WITNESS HEREOF, the parties hereto have executed this instrument on this date and year above first written.

OWNER(S):

(Owner's Name)

(Owner's Name)

STATE OF)
)
COUNTY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by
(Owner's name[s]) _____.

WITNESS MY hand and official seal; My Commission expires:

Notary Public

ACCEPTANCE BY THE HOUSING AUTHORITY

The foregoing agreement and its terms are accepted by the Aspen/Pitkin County Housing Authority.

THE ASPEN/PITKIN COUNTY HOUSING AUTHORITY

By: _____
Cindy Christensen, Deputy Director

STATE OF COLORADO)
)
COUNTY OF PITKIN) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by
_____, Deputy Director for the Aspen/Pitkin County Housing Authority.

WITNESS MY hand and official seal.

My Commission expires:

Notary Public



**DEED RESTRICTION AGREEMENT
FOR THE OCCUPANCY AND RESALE
OF **PROJECT NAME/ADDRESS****

THIS DEED RESTRICTION AGREEMENT FOR THE OCCUPANCY AND RESALE OF **PROJECT NAME/ADDRESS** (the "Agreement") is made and entered into this ____ day of _____ 2025, by **OWNER'S NAMES/DECLARANT'S NAMES** (hereinafter referred to as "Owner"), for the benefit of the parties and enforceable by the **ASPEN/PITKIN COUNTY HOUSING AUTHORITY** (hereinafter referred to as "APCHA"), a duly constituted multi-jurisdictional Housing Authority established pursuant to the **INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF ASPEN AND PITKIN COUNTY ESTABLISHING THE ASPEN/PITKIN COUNTY HOUSING AUTHORITY** by and between the City of Aspen, Colorado (the "City") and Pitkin County, Colorado (the "County"), dated May 13, 2019 and recorded at Reception No. 656927 on June 27, 2019, of the records of the Pitkin County Clerk and Recorder's Office.

WITNESSETH:

WHEREAS, **Owner/Declarant** owns the real property described in Exhibit "A" attached hereto and incorporated herein. For purposes of this Agreement, the real property and all dwellings, appurtenances, improvements, and fixtures associated therewith shall hereinafter be referred to as the "Property" or "unit" as the context requires.

WHEREAS, **Owner/Declarant** agrees to restrict the acquisition or transfer of the Property to "Qualified Buyers," as that term is defined in this Agreement, who fall within the **Category** __ income range established by the APCHA from time to time in its **Aspen/Pitkin Employee Housing Regulations** (hereinafter the "Regulations"). In addition, the Owner/Declarant agrees that this Agreement shall constitute a resale agreement setting forth the maximum resale price for which the Property or the Units may be sold ("Maximum Resale Price") and the terms and provisions controlling the resale of the Property or the Units. Finally, by this Agreement, Owner restricts the Property and the Units against use and occupancy inconsistent with this Agreement.

WHEREAS, an "**Owner/Declarant**" is the person or persons who owns the property at the time of this Agreement and who hereby adopts and enters into this Agreement with APCHA voluntarily.

WHEREAS, "Qualified Buyers" are natural persons meeting the income, residency and all other qualifications set forth in the Regulations, or its substitute, as adopted by the APCHA, or its successor, and in effect at the time of the closing of the sale to the Qualified Buyer, and who must represent and agree pursuant to this Agreement to occupy the Property or Unit as their sole place of residence, not to engage in any business activity on the Property, other than that permitted in that zone district or by applicable ordinance, not to sell or otherwise transfer the Property or Unit for use in a trade or business; and to continue meeting the employment, residency and other requirements as stated in this Agreement, and as stated in the Regulations as they are amended from time to time. Qualified Buyers require the prior approval of APCHA.

WHEREAS, an "Owner" is a person or persons, approved by APCHA, who is/are a Qualified Buyer who acquires an ownership interest in the Property or Unit in compliance with the terms and provisions of this Agreement, it being understood that such person or persons shall be deemed an "Owner" hereunder only during the period of his, her, or their ownership interest in the Property or Unit and shall be obligated hereunder for the full and complete performance and observance of all covenants, conditions and restrictions contained herein during such period.



WHEREAS, this document supersedes any previous deed restriction agreement for occupancy and resale associated with this Property or the Units.

WHEREAS, a "Unit" or units is the unit(s) located at **ADDRESS, Aspen, Colorado 81611**, and further described in Exhibit "A".

NOW, THEREFORE, for value received, the receipt and sufficiency of which are hereby acknowledged, Owner hereby represents, covenants, and agrees as follows:

1. The above Recitals are incorporated herein as requirements of this Agreement. They are applicable to both parties and enforceable in the same manner as any provisions of this Agreement.

INTENT OF THE PROGRAM

2. The Intent of the Program is as follows:
 - The affordable housing program was created in support of all of those who invest their time and energy for the betterment of the Aspen community;
 - The limit on appreciation of the Unit is what helps to sustain the affordable housing program over the long term;
 - Owners of deed restricted units are responsible for the maintenance of the unit/home;
 - The rate of appreciation is intended to support the homeowner in addressing maintenance costs; and
 - At no time is the owner guaranteed to receive the maximum sales price upon selling the property.

USE AND OCCUPANCY

3. The use and occupancy of the Property or the Units shall henceforth be limited exclusively to housing for natural persons who meet and continue to meet for the entire period of ownership the definition of Qualified Buyers, Owners, and their families, and the other requirements of this Agreement and the Regulations referred to above, and as they are amended from time to time.

REQUIREMENTS

4. An Owner, in connection with the purchase of this Property or Unit, must:
 - occupy the Unit or Property as his or her sole place of residence during the time that such Property or Unit is owned;
 - not own, directly or indirectly through a legal entity, any interest alone or in conjunction with others, in any developed, residential property within the Ownership Exclusion Zone (OEZ), or dwelling units in accordance with the limitations established by the Regulations as amended from time to time (said prohibition of owning other property within the OEZ applies equally to the Owner's spouse or any member of the Owner's household);
 - not engage in any business activity on or in such Property or Unit, other than permitted in that zone district or by applicable ordinance;
 - sell or otherwise transfer such Property or Unit only in accordance with this Agreement and the Regulations;

- not sell or otherwise transfer such Property or Unit for use in a trade or business;
- not encumber the Property or Unit with debt in any form which exceeds, at any time, the Maximum Resale Price of the Property or Unit as determined in accordance with Paragraph 14 and 15 of this Agreement;
- not permit any use or occupancy of such Property or Unit except in compliance with this Agreement;
- continue to meet the residence and employment requirements of a Qualified Buyer and Owner established by the Regulations and as they are amended from time to time;
- continue to meet the other requirements of the applicable Regulations as they are amended from time to time; and
- provide APCHA with information in accordance with paragraph 7 below. Recertification of employment, residency, the continued non-ownership of other property, and compliance with the other requirements of this paragraph and this Agreement shall be required as stipulated in the Regulations.

DEFAULT ON LOAN

5. a. It shall be a breach of this Agreement for Owner to default in payments or other obligations due or to be performed under a promissory note secured by a deed of trust encumbering the Property or a Unit or to breach any of Owner's duties or obligations under said deed of trust. It shall also be a breach of this Agreement for Owner to default in the payment of real property taxes or obligations to the Homeowners' Association for general or special assessments. Owner must notify the APCHA, in writing, of any such default, including notification received from a lender, or its assigns, of past due payments or default in payment or other obligations due or to be performed under a promissory note secured by a deed of trust, as described herein, or of any breach of any of Owner's duties or obligations under said deed of trust, within five calendar days of Owner's notification from lender, or its assigns, or any other creditor specified herein, of said default or past due payments or breach.
- b. Upon notification of a default as provided above, the APCHA may offer loan counseling or distressed loan services to the Owner, if any of these services are available, and is entitled to require the Owner to sell the Property or Unit to avoid the commencement of any foreclosure proceeding against the Unit.
- c. Upon receipt of notice as provided in paragraphs 5a and b, the APCHA shall have the right, in its sole discretion, to cure the default or any portion thereof. In such event, the Owner shall be personally liable to APCHA for past due payments made by the APCHA together with interest thereon at the rate specified in the promissory note secured by the first deed of trust, plus one percent (1%), and all actual expenses of the APCHA incurred in curing the default. The Owner shall be required by APCHA to execute a promissory note secured by deed of trust encumbering the Property or Unit in favor of the APCHA for the amounts expended by the APCHA as specified herein, including future advances made for such purposes. The Owner may cure the default and satisfy its obligation to the APCHA under this subparagraph at any time prior to execution of a contract for sale, upon such reasonable terms as specified by the APCHA. Otherwise, Owner's indebtedness to the APCHA shall be satisfied from the Owner's proceeds at closing.
- d. In addition, upon receipt of notice as provided in Paragraphs 5a and 5b, the APCHA shall have the option, exercisable in the APCHA's sole discretion, to purchase Owner's Property or Unit for ninety-five percent (95%) of the Maximum Resale Price. If APCHA desires to exercise said option, it shall give written notice thereof to the Owner within forty-five (45) days following the APCHA's receipt



of the notice as provided in Paragraphs 5a and 5b. In the event the APCHA timely exercises said option, the closing of the purchase of the Property or Unit shall occur within forty-five (45) days following the date of the APCHA's notice to the Owner of the exercise of said option.

6. It shall be a violation of the Agreement for the Owner to default in the payment of general or special assessments to the applicable Homeowner's Association, and such person shall be subject to enforcement as provided herein. In addition, upon sale of a Property or Unit as to which the payment of such obligations is in default at the time of sale, the assessments shall be paid at closing by Owner.

REFINANCING

7. At any time Owner requests to refinance said Property or obtain a home equity loan, Owner must contact APCHA for approval prior to completion of the refinance/home equity loan. If an appraiser contacts APCHA for a valuation, this also will constitute notification to APCHA pertaining to a refinance request. APCHA's review and approval is for the purpose of ensuring compliance with paragraph 4 above.

ENFORCEMENT

8. Owner agrees to provide, upon request of APCHA, all documents and information necessary for APCHA to establish continued compliance with this Agreement and with the Regulations, as amended from time to time. Documents may include but not be limited to: Federal and State Income Tax Returns, W2's, 1099's, bank and credit card statements, and invoices for utility payments. APCHA shall maintain the confidentiality of financial information as provided by law.
9. If the APCHA determines that sale of the Property or Unit is necessary because of any breach of this Agreement, Owner shall immediately execute a standard Listing Contract on forms approved by the Colorado Real Estate Commission with the APCHA, providing for a 180-day listing period. At that time, the Owner shall deposit with the APCHA an amount equal to one percent (1%) of the estimated value of the Property or Unit. Unless the Notice of Violation is overturned on appeal, the appreciation of the Property or Unit will terminate from the date that the violation occurred (said date shall not necessarily be the same time the Notice of Violation was sent to the Owner). Unless APCHA exercises its option to purchase the Unit, in accordance with paragraph 11 below, the APCHA shall promptly advertise the Property or Unit for sale by competitive bid to Qualified Buyers. If a sales contract has not been executed within the initial 180-day period, Owner shall extend the listing period for additional 180-day periods until the execution of sales contract. At the time of closing, the Owner shall pay to the APCHA an additional fee as stated in the Regulations in effect at the time of sale.
 - a. APCHA is entitled to require the Owner to accept the highest of any qualified bids that equal to the lesser of (i) the Maximum Resale Price (as hereinafter defined); or (ii) an amount that has been adjusted and described in b. below. At no time may the sales price exceed the Maximum Sales Price established in this deed restriction.
 - b. If the Unit has not sold within the initial 180-day listing period, the Owner will be bound by the following:

- Owner must accept any pending offer, or offer made during the next 180-day period referred to above, from an APCHA-qualified buyer for at least ninety-five percent (95%) of the maximum sales price;
- If no such offer is made within the second listing period, the Owner must accept any valid offer received during the third listing period from an APCHA-approved Qualified Buyer at or above ninety percent (90%) of the maximum sales price made within the next 30-day period;
- For each additional listing period that the home has not gone under contract, the bid price that must be accepted will be decreased by an additional five percent (5%) of the maximum sales price.

Listing and sale of the Property or Unit shall be subject to such listing, sales and other fees and expenses as may be imposed by the APCHA from time to time as set forth in the Regulations, and as they are amended from time to time.

AGREEMENT RUNS WITH THE LAND

10. This Agreement shall constitute covenants running with the Property and/or Unit, as a burden thereon, for the benefit of, and shall be specifically enforceable by the APCHA, the City Council for the City (the "City Council"), the Board of County Commissioners for the County (referred to herein as the "BOCC" or the "County"), and their respective successors and assigns, as applicable, by any appropriate legal action including but not limited to specific performance, injunction, reversion, or eviction of non-complying owners and/or occupants.

VOLUNTARY SALE

11. If an Owner desires to voluntarily sell the Property or Unit, the Owner shall execute a standard Listing Contract on forms approved by the Colorado Real Estate Commission with the APCHA providing for a 180-day listing period, or such other time as required by the Regulations in effect at time of listing. The APCHA shall promptly advertise the Property or Unit for sale by competitive bid to Qualified Buyers. The listing and sale of the Property or Unit shall be subject to such listing, sales and other fees and expenses as may be imposed by the APCHA from time to time as set forth in the Regulations.

APCHA'S RIGHT TO ACQUISITION

12. Notwithstanding any provision herein to the contrary, the APCHA shall have the right, in its sole discretion, (i) to acquire the Property or Unit for resale thereof to a Qualified Buyer; (ii) following its acquisition of the Property or Unit, to repair, replace, redevelop, remove and maintain such Property or Unit prior to resale to a Qualified Buyer; and/or (iii) amend this Deed Restriction Agreement following the acquisition. Upon purchase by APCHA, the price at which the Property or Unit is subsequently sold to a Qualified Buyer shall be determined by APCHA.

MAXIMUM RESALE PRICE

13. In no event shall the Property or Unit be sold for an amount ("Maximum Resale Price") more than:

- a. \$, plus an increase of three percent (3%) of such price per year to the date of Owner's notice of intent to sell (prorated at the rate of .25 percent for each whole month for any part of a year), and based on the purchase price (simple not compounded); or
- b. an amount (based upon the Consumer Price Index, All Items, U.S. City Average, Urban Wage Earners and Clerical Workers (Revised), published by the U.S. Department of Labor, Bureau of Labor Statistics) calculated as follows: the Owner's purchase price divided by the Consumer Price Index published at the time of Owner's purchase stated on the Settlement Statement, multiplied by the Consumer Price Index current at the date of intent to sell. In no event, shall the multiplier be less than one (1). For purposes of this Agreement, "date of intent to sell" shall be the date of execution of a listing contract when required by this agreement, or if a listing contract is not otherwise necessary, the date shall be determined to be the date upon which a requirement for the Owner to sell is first applicable.

NOTHING HEREIN SHALL BE CONSTRUED TO CONSTITUTE A REPRESENTATION OR GUARANTEE BY THE APCHA OR THE CITY/COUNTY THAT ON RESALE THE OWNER SHALL OBTAIN THE MAXIMUM RESALE PRICE.

14.
 - a. Subject to the limitations of this Section, for the purpose of determining the Maximum Resale Price in accordance with this Section, the Owner may add to the amount specified in Paragraph 13 above, the cost of approved and Permitted Capital Improvements (hereinafter "PCI"), as set forth in Exhibit "B" attached hereto or otherwise allowed by the Regulations, and as they are amended from time to time, in a total amount not to exceed \$, which is ten percent (10%) of the maximum sales purchase price set forth in paragraph 10a above. In calculating such amount, only those PCIs identified in Exhibit "B" hereto or otherwise allowed by the Regulations from time to time shall qualify for inclusion. All such PCIs installed or constructed during Owner's ownership of the Property or Unit shall qualify and will be depreciated based on the Depreciation Schedule used by APCHA at the time of listing.
 - b. PCIs shall not include any changes or additions to the Property or Unit made by the Owner during construction or two years thereafter, except in accordance with Paragraph 14a above. PCI shall not be included in the APCHA's listed purchase price, even if made or installed during original construction.
 - c. To qualify as PCI, the Owner must furnish to APCHA the following information with respect to the improvements that the Owner seeks to include in the calculation of Maximum Resale Price:
 - (1) Original or duplicate receipts to verify actual costs expended by Owner for PCI;
 - (2) Owner's affidavit verifying that receipts are valid and correct receipts tendered at time of purchase;
 - (3) True and correct copies of any building permit or certificate of occupancy required to be issued by Aspen/Pitkin County Building Departments with respect to the PCI.
 - (4) In calculating costs under Paragraphs 14 a-c (1-3), the Owner's actual out-of-pocket approved costs and expenses shall be eligible for inclusion. Such amount shall not include an amount attributable to Owner's "sweat equity" or to any appreciation in the value of the improvements.

All capital improvements will be depreciated. Certain capital improvements will not be allowed towards the 10% cap. Each capital improvement will depreciate per the depreciation schedule stated in an approved handbook. The current source is the ***Marshall Swift Residential Handbook***. Any capital improvements associated with health and safety, energy efficiency, water conservation, and green building products may be exempt from the 10% capital improvement cap if approved by APCHA prior to installation; however, such capital improvements shall be depreciated per the depreciation schedule stated in an approved handbook.

- d. For determining the Maximum Resale Price in accordance with this Section, the Owner may also add to the amounts specified in Paragraphs 13 and 14a, the cost of any permanent improvements constructed or installed because of any requirement imposed by any governmental agency, if written certification is provided to the APCHA of both the applicable requirement and the information required by Paragraph 14c (1) – (3).
- e. To obtain maximum resale price, the Owner must ensure that at the time of sale the Property or Unit meets APCHA's applicable minimum standards for maintenance of the Property or Unit as determined by APCHA in accordance with Exhibit C to this Agreement. If the Seller does not meet these requirements, APCHA shall require that Seller escrow at closing a reasonable amount of money to ensure compliance with Exhibit C or require that the sale price of the Property or Unit be reduced accordingly.
- f. Owners are required to maintain their units in compliance with the Minimum Standards.

GRIEVANCES

- 15. All grievances, as defined in the APCHA Regulations, shall be resolved as specified therein.

CLOSING COSTS

- 16. Owner shall not permit any prospective buyer to assume any or all the Owner's customary closing costs (including, but not limited to, title insurance, sales fee, pro ration of taxes, homeowner's dues, etc., as are customary in Aspen and Pitkin County) nor accept any other consideration which would cause an increase in the purchase price above the bid price to induce the Owner to sell to such prospective buyer.

MULTIPLE QUALIFIED BIDS

- 17. In the event that one qualified bid is received equal to the Maximum Resale Price herein established, the Property or Unit shall be sold to such bidder at the Maximum Resale Price; and in the event Owner receives two or more such bids equal to the Maximum Resale Price, the Qualified Buyer shall be selected according to the priority for Sale Units set forth in the Regulations; and, in the event that more than one such qualified bidder is of equal priority pursuant to the Regulations, the Qualified Buyer shall be selected by lottery among the qualified bidders of the highest priority, whereupon the Property or Unit shall be sold to the winner of such lottery at the Maximum Resale Price. If the terms of the proposed purchase contract, other than price, as initially presented to the Owner, are unacceptable to the Owner, there shall be a mandatory negotiation period of three (3) business days to allow the Owner and potential buyer to reach an agreement regarding said terms, including but not limited to, the closing date and financing contingencies. If, after the negotiation

period is over, the Owner and buyer have not reached an agreement, the next bidder's offer will then be presented to the Owner for consideration and a three (3) business day negotiating period will begin again. The Owner may reject all bids; however, the Owner is subject to the provisions in the Employee Housing Regulations pertaining to the listing fee. Bids more than the Maximum Resale Price shall be rejected. If all bids are below the Maximum Resale Price, the Owner may accept the highest qualified bid. If all bids are below the Maximum Resale Price and two or more bids are for the same price, the Qualified Buyer shall be selected by lottery from among the highest qualified bidders.

NON-QUALIFIED TRANSFEREES

18. In the event that title to the Property or a Unit vests by descent in, or is otherwise acquired by, any individual and/or entity who is not a Qualified Buyer as that term is defined herein (hereinafter "Non-Qualified Transferee(s)"), the Property or Unit shall immediately be listed for sale as provided in Paragraph 9 above (including the payment of the specified fee to the APCHA), and the highest bid by a Qualified Buyer, for not less than ninety-five percent (95%) of the Maximum Resale Price or the appraised market value, whichever is less, shall be accepted; if all bids are below ninety-five percent (95%) of the Maximum Resale Price or the appraised market value, the Property or Unit shall continue to be listed for sale until a bid in accordance with this section is made, which bid must be accepted. The cost of the appraisal shall be paid by the Non-Qualified Transferee(s).
- a. Non-Qualified Transferee(s) shall join in any sale, conveyance or transfer of the Property or Unit to a Qualified Buyer and shall execute all documents necessary to do so.
 - b. Non-Qualified Transferee(s) shall not: (1) occupy the Property or Unit; (2) rent all or any part of the Property or Unit, except in strict compliance with Paragraph 22 hereof; (3) engage in any other business activity on or in the Property or Unit; (4) sell or otherwise transfer the Property or Unit except in accordance with this Agreement and the Employee Housing Regulations;
 - c. The APCHA, the City, the County, or their respective successors, as applicable, shall have the right and option to purchase the Property or Unit, in accordance with paragraph 11 above.
 - d. Where the provisions of this Paragraph 18 apply, the APCHA may require the Owner to rent the Property or Unit in accordance with the provisions of Paragraph 22, below.

OWNER RESIDENCE, EMPLOYMENT AND CONTINUING COMPLIANCE

19. Each Property or Unit shall be utilized only as the sole and exclusive place of residence of its Owner.
20. In the event an Owner changes place of residence or ceases to utilize the Property or Unit as his sole and exclusive place of residence, ceases to be a full-time employee in accordance with the Regulations as they are amended from time to time, or otherwise ceases to comply as a Qualified Buyer and Owner with this Agreement or the Regulations as they are amended from time to time, the Property or Unit must be offered for sale pursuant to the provisions of Paragraph 9 of this Agreement. An Owner shall be deemed to have changed his or her place of residence by becoming a resident elsewhere or accepting employment outside Pitkin County, or residing in the Property or Unit for fewer than nine (9) months per calendar year without the express written approval of the APCHA pursuant to a leave of absence, or by ceasing to be a full-time

employee as required by the Regulations and as amended from time to time. When APCHA determines that the Owner has changed his/her place of residence, the APCHA may require the Owner to rent the Property or Unit in accordance with the provisions of Paragraph 22, below pending a sale of the property.

In determining a person's place of residence, APCHA shall consider, in addition to any other relevant information, the following items. APCHA's determination shall be made based on the totality of the circumstances.

1. the location(s) of living accommodations;
 2. where employment duties are performed by such person and members of the person's household;
 3. residency of immediate family and dependents;
 4. location of children's school;
 5. address shown on driver's license;
 6. address shown on motor vehicle registration(s);
 7. address shown on voter registration;
 8. location of personal property and business assets;
 9. address shown on state and federal income tax returns;
 10. mailing address(es);
 11. location of primary physician;
 12. address as shown by utility bills, telephone bills and other invoices for goods and services;
 13. address shown by bank accounts; and
 14. location for in-person purchases of essential goods and services.
21. It is a violation to this Agreement for a Qualified Buyer or Owner to own directly or indirectly through a legal entity or otherwise, any interest alone or in conjunction with others in any residential property within the Ownership Exclusion Zone in accordance with the APCHA Regulations, as amended from time to time. This prohibition includes ownership by a spouse of the Owner or a member of the Owner's household. If at any time an Owner acquires such an interest, the Owner shall immediately list said other property or unit for sale and to sell his or her interest in such property at fair market value to like units or properties in the area in which the property or dwelling unit(s) are located. In the event said other property or unit has not sold by Owner within one hundred eighty (180) days of closing on this property, then Owner hereby shall immediately list this Property or Unit for sale pursuant to the provisions of Paragraph 9 of this Agreement. Should the Owner not receive a full-priced bid, said Owner must accept the first reasonable offer for said Property or Unit as deemed appropriate by the APCHA. The requirements of this paragraph apply equally to Owner's spouse or any member of the Owner's household.

RENTAL

22. Owner may not, except with prior written approval of the APCHA, and subject to APCHA's conditions of approval, rent the Property or Unit for any period. Prior to occupancy, each tenant must be approved by the Homeowner's Association, if applicable, and the APCHA in accordance with employment as stated in the Regulations, as well as non-ownership of residential property within the Ownership Exclusion Zone, established by the Regulations. The APCHA shall not approve any rental if such rental is being made by the Owner to utilize the Property or Unit as an income producing asset, except as provided below, and shall not approve a lease with a rental term of more than twelve (12) months. A signed copy of the lease must be

provided to the APCHA prior to occupancy by each tenant. Any such lease approved by the APCHA shall show the length of the lease and the monthly rent. The monthly rent cannot exceed the Owner's costs, which include the monthly expenses for the cost of principal and interest payments, taxes, property insurance, condominium or homeowner's assessments, utilities remaining in Owner's name, plus an additional amount as stated in the Regulations and as they are amended from time to time, and a reasonable (refundable) security deposit.

Requirements of this paragraph shall not preclude the Owner from sharing occupancy of the Property or Unit with qualified non-Owners as determined by APCHA on a rental basis provided Owner continues to meet the obligations contained in this Agreement, including Paragraph 18. All roommates are required to obtain approval by APCHA prior to occupancy.

23. IN NO EVENT SHALL THE OWNER CREATE AN ADDITIONAL DWELLING UNIT, AS DEFINED IN THE PITKIN COUNTY OR CITY OF ASPEN LAND USE CODES, IN OR ON THE PROPERTY OR UNIT.
24. NOTHING HEREIN SHALL BE CONSTRUED TO REQUIRE THE APCHA TO PROTECT OR INDEMNIFY THE OWNER AGAINST ANY LOSSES ATTRIBUTABLE TO THE RENTAL, INCLUDING (NOT BY WAY OF LIMITATION) NON-PAYMENT OF RENT OR DAMAGE TO THE PREMISES; NOR TO REQUIRE THE APCHA TO OBTAIN A QUALIFIED TENANT FOR THE OWNER IF NONE IS FOUND BY THE OWNER.

COMPLIANCE REVIEW AND REMEDIES FOR BREACH

25. All applicants, Qualified Buyers, and Owners shall promptly provide to the APCHA all such information as the APCHA deems reasonably necessary at any time to verify compliance with this Agreement and the APCHA Regulations. The APCHA shall maintain the confidentiality of any financial data provided by any existing or potential Owner, subject to the requirements of the Colorado Open Records Act, C.R.S. 24-72-201, et. seq., and except for such disclosures as are necessary with respect to any litigation, enforcement, or other legal proceedings. If APCHA has reasonable cause to believe the Owner is violating the provisions of this Agreement, the APCHA, by its authorized representative, may inspect the Property or Unit between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, after providing the Owner with no less than 24 hours' written notice.
26. The APCHA, through its employees or agents, in the event a violation or potential violation of this Agreement is discovered, shall send a notice of violation to the Owner describing the nature of the violation and, at the discretion of APCHA, allowing the Owner fifteen (15) days to cure. Said notice shall state that the Owner may request a hearing before the APCHA Hearing Officer or if there is no Hearing Officer the Board of Directors within fifteen (15) days to dispute the merits of the allegations. If no hearing is requested and the violation is not cured within any fifteen (15) day period granted by APCHA, the violation shall be considered final, and the Owner shall immediately list the Property or Unit for sale in accordance with this Agreement. The failure to request a hearing shall constitute the failure to exhaust administrative remedies for the purposes of judicial review. If a hearing is held before the APCHA Hearing Officer: (i) the decision of the APCHA Hearing Officer, based on the record of such hearing, may be appealed to the APCHA Board within 15 days of the Hearing Officer's final decision for determining if a violation has occurred; and (ii) the APCHA Hearing Officer or the APCHA Board shall have discretion to determine the appropriate action to be taken to either remedy the violation or require the Owner to list the Property or Unit for sale in accordance with this Agreement, or pay a penalty as provided in the APCHA Regulations. In the event of enforcement as described herein, for determining the maximum resale price of the Property or Unit, unless the Notice of Violation is overturned

on appeal, appreciation shall terminate from the date that the violation occurred (said date shall not necessarily be the same time the Notice of Violation was sent to the Owner) until the violation is cured or until the Property or Unit is sold, whichever is applicable. If there is no APCHA Hearing Officer, the provisions of this paragraph shall apply to the APCHA Board.

27. There is hereby reserved to the parties hereto all remedies provided by law for breach of this Agreement or any of its terms. In the event of litigation for the interpretation or enforcement of this Agreement, the prevailing party shall be awarded its costs and reasonable attorneys' fees.
28. In the event the Property or Unit is sold and/or conveyed without compliance with this Agreement or the APCHA Regulations, such sale and/or conveyance shall be wholly null and void and shall confer no title whatsoever upon the purported buyer, and the transaction shall be rescinded. Each conveyance of the Property or Unit, for all purposes, shall be deemed to include and incorporate by this reference, the covenants herein contained, even without reference therein to this Agreement. The Owner shall be liable for all APCHA's costs and reasonable attorneys' fees incurred in setting aside any such transaction.
29. If the Owner fails to cure any breach, the APCHA may resort to all available legal action, including, but not limited to, specific performance of this Agreement or a mandatory injunction requiring sale of the Property or Unit by Owner as specified in Paragraphs 5, 6, 9, 18, 20, 21 and 26. The costs of such sale, including reasonable attorneys' fees, shall be taxed against the proceeds of the sale with the balance being paid to the Owner.

FORECLOSURE

30. a. If any Property or Unit is sold as a foreclosure sale or otherwise acquired by any person or entity in lieu of foreclosure, APCHA and the Board, as the designee of the APCHA, shall have the option to acquire such Property or Unit within thirty (30) days after (i) the issuance of a public trustee's deed to the purchaser, or (ii) receipt by the APCHA of written notice from such person or entity of the acquisition of such Lot in lieu of foreclosure, as applicable, for an option price not to exceed (a) in the event of a foreclosure, the redemption price on the last day of all statutory redemption periods and any additional reasonable costs incurred by the holder during the option period which are directly related to the foreclosure or (b) in the event of a transfer in lieu of foreclosure, the amount paid, or the amount of debt forgiven, by the transferee plus the reasonable costs incurred by the transferee with respect to its acquisition of such Property or Unit. Notwithstanding any provision herein to the contrary, except for persons or entities having a valid lien on a Property or Unit, only Qualified Buyers may acquire an interest in a Property or Unit at a foreclosure sale or in lieu of foreclosure. If any person or entity having a lien on a Property or Unit is not a Qualified Buyer and acquires an interest in such Property or Unit in a foreclosure sale or in lieu of foreclosure, the provisions of Paragraph 16 shall apply. Except as specifically provided herein, this Agreement shall remain in full force and effect notwithstanding a foreclosure.
- b. If APCHA exercises the option described above, the provisions of paragraph 12 above shall apply.
- c. Notwithstanding the foregoing, in the event of foreclosure by the holder of the first deed of trust on such Property or Unit, if the holder of such deed of trust is the grantee under the confirmation deed and APCHA does not exercise its option to purchase as provided in this paragraph, then APCHA agrees to release the Property or Unit from the requirements of this Deed Restriction.

GENERAL PROVISIONS

31. Notices. Any notice, consent or approval which is required to be given hereunder shall be given by mailing the same, certified mail, return receipt requested, properly addressed and with postage fully prepaid, to any address provided herein or to any subsequent mailing address of the party if prior written notice of the change of address has been given to the other parties to this Agreement.

Said notices, consents and approvals shall be sent to the parties hereto at the following addresses unless otherwise notified in writing:

To APCHA: Aspen/Pitkin County Housing Authority
18 Truscott Place, Aspen, Colorado 81611

To Owner/Declarant: **Owner/Declarant Name**

32. Exhibits. All exhibits attached hereto (Exhibits "A", "B" and "C") are incorporated herein and by this reference made a part hereof.
33. Severability. Whenever possible, each provision of this Agreement and any other related document shall be interpreted in such a manner as to be valid under applicable law; but if any provision of any of the foregoing shall be invalid or prohibited under said applicable law, such provisions shall be ineffective to the extent of such invalidity or prohibition without invalidating the remaining provisions of such document.
34. Choice of Law. This Agreement and each related document are to be governed and construed in accordance with the laws of the State of Colorado. Jurisdiction for any action arising under this Agreement shall be in Pitkin County, Colorado.
35. Successors. Except as otherwise provided herein, the provisions and covenants contained herein shall inure to and be binding upon the heirs, successors and assigns of the parties.
36. Section Headings. Paragraph or section headings within this Agreement are inserted solely for convenience of reference, and are not intended to, and shall not govern, limit, or aid in the construction of any terms or provisions contained herein.
37. Waiver. No claim of waiver, consent, or acquiescence with respect to any provision of this Agreement shall be valid against any party hereto except on the basis of a written instrument executed by the parties to this Agreement. However, the party for whose benefit a condition is inserted herein shall have the unilateral right to waive such condition if such waiver is in writing.
38. Gender and Number. Whenever the context so requires herein, the neuter gender shall include any or all genders and vice versa and the use of the singular shall include the plural and vice versa.
39. Personal Liability. The Owner agrees that he or she shall be personally liable for any of the transactions contemplated herein.



40. Further Actions. The parties to this Agreement agree to execute such further documents and take such further actions as may be reasonably required to carry out the provisions and intent of this Agreement or any agreement or document relating hereto or entered in connection herewith.
41. Modifications. The parties to this Agreement agree that any modifications of this Agreement shall be effective only when made by writings signed by both parties and recorded with the Clerk and Recorder of Pitkin County, Colorado. Notwithstanding the foregoing, the APCHA reserves the right to amend this Agreement unilaterally where deemed necessary to effectuate the purpose and intent of this Agreement, and where such unilateral action does not materially impair the Owner's rights under this Agreement.
42. Mortgagee Right to Cure. Nothing herein shall be deemed to impair any right of a mortgagee of a Property or Unit from curing any default by an Owner of his or her financial obligations with respect to such Property or Unit.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the day and year above first written.

OWNERS:

Owner/Declarant Name

STATE OF COLORADO)
) ss.
COUNTY OF PITKIN)

The foregoing instrument was acknowledged before me this ____ day of _____ 2025 by
Owner/Declarant Name.

Witness my hand and official seal;

My commission expires: ____/____/____

Notary Public



Aspen | Pitkin | County | Housing | Authority

ACCEPTANCE BY THE ASPEN/PITKIN COUNTY HOUSING AUTHORITY

The foregoing Deed Restriction Agreement for the Occupancy and Resale of ADDRESS, Colorado (COMPLEX), of the Aspen/Pitkin County Housing Authority and its terms are hereby adopted and declared by the Aspen/Pitkin County Housing Authority.

THE ASPEN/PITKIN COUNTY HOUSING AUTHORITY

By: _____
Cindy Christensen, Deputy Director

STATE OF COLORADO)
) ss.
COUNTY OF PITKIN)

The foregoing instrument was acknowledged before me this _____ day of _____ 2025, by Cindy Christensen, Deputy Director of the Aspen/Pitkin County Housing Authority.

Witness my hand and official seal;

My commission expires: ____/____/____

Notary Public

EXHIBIT "A"

Legal Description:

EXHIBIT "B"

Permitted Capital Improvements

1. The term "Permitted Capital Improvement" as used in the Agreement shall only include the following (all included within your 10% cap:
 - a. Improvements or fixtures erected, installed, or attached as permanent, functional, non-decorative improvements to real property, excluding repair, replacement, and/or maintenance improvements;
 - b. Improvements to add and/or finish permanent/fixed storage space;
 - c. Improvements to finish unfinished space.
 - d. Permanent types of landscaping; e.g., adding irrigation system, trees (may be allowed, but not guaranteed)
 - e. The cost of adding decks and balconies, and any extension thereto;
 - f. Replacement of carpet can be done every seven years;
 - g. Counters/Cabinets/Vanities can be replaced every 15 years (standard material price is used); and/or
 - h. Improvements associated with green building products.
2. Permitted Capital Improvements outside the 10% cap may include the following:
 - a. Improvements for energy efficiency items and water conservation;
 - b. Improvements for the benefit of seniors and/or persons with disabilities;
 - c. Improvements for health and safety protection devices;
 - d. Replacement of hot water heater, furnace/boiler, and electrical upgrades;
 - e. Improvements of structural necessities such as leaks / drainage issues, foundation, roof;
 - f. Replacement of the oven, fridge, microwave, and dishwasher can be done every ten years (if replaced with Energy-Star appliances).
3. Permitted Capital Improvements as used in this Agreement shall **NOT** include the following:
 - a. Jacuzzis, saunas, steam showers and other similar items;
 - b. Upgrades or addition of decorative items, including lights, window coverings and other similar items; and/or
 - c. Landscaping that is not permanent; e.g., flowers, sod/grass, etc.
4. **All Permitted Capital Improvement items and costs shall be approved by the APCHA staff prior to being added to the Maximum Resale Price as defined herein. APCHA recommends that you obtain approval before doing any work.** To get credit for an improvement where a building permit is required, the improvement will not be counted unless a Letter of Completion was obtained by the Building Department.
5. The Permitted Capital Improvements shown hereon shall be subject to such additions, deletions and modifications as may be set forth in the Regulations from time to time; provided that if any improvement is made at a time when it would be deemed a Permitted Capital Improvement hereunder or under the Regulations, such improvement shall be deemed a Permitted Capital Improvement at all times notwithstanding any modification of the Regulations; however, ALL permitted capital improvements will be depreciated as based on a third source as stipulated in the Regulations.

EXHIBIT “C”

MINIMUM STANDARDS FOR SELLER TO RECEIVE FULL VALUE AT RESALE

- Clean unit
- Carpets steam-cleaned two or three days prior to closing
- Major scratches, holes, burned marks repaired in hardwood floors, linoleum, tile, counter tops etc.
- No broken windows
- All screens in windows (if screens were originally provided)
- All doors will be in working order with no holes
- All locks on doors will work
- All keys will be provided; e.g., door, mailbox, garage
- All mechanical systems shall be in working order
- Walls paint ready
- Normal wear and tear on carpet; if carpet has holes, stains, etc., the carpet and padding shall be replaced or escrow funds at current market value per square foot for a comparable product shall be held at the time of closing to be used by the new buyer
- No leaks from plumbing fixtures
- No roof leaks
- Any safety hazard remedied prior to closing, excluding radon (not required in State of Colorado)
- All light fixtures shall be in working order

DEFINITIONS:

Clean Unit:

All rooms will be cleaned as stated below:

- **Kitchen:**
 - Range – Inner and outer services will be cleaned.
 - Range hood and Exhaust Fan
 - Refrigerator and Freezer – Inner and outer surfaces of refrigerator and freezer will be clean. The freezer will be defrosted.
 - Cabinets and Countertops – Exterior and interior surfaces of cabinets and drawers will be clean. Door and drawer handles, if provided, shall be clean and in place.
 - Sink and Garbage Disposal – Sink and plumbing fixtures will be clean. If garbage disposal is provided, this must be in working order.
 - Dishwasher – If provided, must be in working order and inner and outer surfaces shall be clean.
- **Blinds, Windows, Screens:**
 - Mini-blinds, Venetian Blinds, Vertical Blinds, Pull Shades – Will be clean.
 - Windows – All window surfaces, inside of the unit, shall be clean.
 - Screens – Screens will be clean and in place with no holes or tears (if provided).

- **Closets:** Closets, including floors, walls, hanger rod, shelves, and doors, shall be clean.
- **Light Fixtures:** Light fixtures will be clean and shall have functioning bulbs/florescent tubes.
- **Bathrooms:**
 - Bathtub, Shower Walls, Sinks – Bathtubs, shower walls and sinks shall be clean.
 - Toilet and Water Closet – Water closets, toilet bowls and toilet seats will be clean. If the toilet seat is broken or peeling, the seat shall be replaced.
 - Tile – All tile and grout will be clean.
 - Mirrors and Medicine Cabinets – Mirrors and medicine cabinets shall be cleaned inside and out.
 - Shelves and/or Other Cabinetry – All other shelves or cabinetry shall be cleaned inside and out.
- **Walls, Ceilings, Painted Doors, and Baseboards:** Painted surfaces must be cleaned with care to ensure the surface is clean without damaging the paint.
- **Floors:** Floor cleaning includes sweeping and mopping and could include stripping, waxing, and buffing. Types of floor surfaces include wood, wood parquet tiles, linoleum, asphalt tile, vinyl tile, mosaic tile, concrete, and carpet. If carpet, all carpets shall be cleaned at least two days prior to closing.
- **Interior Storage/Utility Rooms:** Storage/utility rooms shall be cleaned. Properly cleaned storage/utility rooms will be free from odors, removable stains, grease marks or accumulations.

Safety Hazard: Any item that provides a safety hazard shall be fixed. This would include, but is not limited to, exposed electrical wiring, ventilation for gas hot water system, etc. If a radon test is done and it is found to be higher than normal levels, per Colorado law, there is not a requirement to mitigate.

Walls Paint-Ready: All holes shall be patched; all posters, pictures, etc., shall be removed from all walls; all nails, tacks, tape, hardware used to hang items, etc., shall be removed from all walls; and all walls shall be clean and ready for the new buyer to paint. If wallpaper has been placed on the wall and in good condition, the wallpaper can remain; if the wallpaper is peeling off, the wallpaper must be removed.

Windows: If a window is broken, including the locking mechanism, the window shall be replaced, and/or the locking mechanism repaired.



ANSWERS TO QUESTIONS

Housing and Land Use Committee Meeting on Residential Workforce Housing Deed Restrictions (HLU-24)

Aspen Pitkin County Housing Authority's (APCHA) goal is to assure the existence of a supply of desirable housing for person currently employed in Pitkin County, persons who were employed in Pitkin County prior to retirement, and other qualified persons of Pitkin County as defined in the Aspen/Pitkin County Housing Authority's Regulations.

Below are the responses from Cindy Christensen, Deputy Director of Housing Operations and Property Management to the questions provided.

1. What is the connection between affordable housing and the local economy, and how could deed restrictions support this? **The APCHA program began in the mid 1980's and always required some type of deed restriction. During the first few years, the deed restrictions were not in perpetuity but were based on the life of the County Commissioners/City Council who approved of the development at that time. The language basically was that the restriction remained until 25 years after the death of the last County Commissioner/City Council who approved the development. From the late 1980's to now, all deed restrictions now are in place in perpetuity.**
2. How do longer deed restrictions impact communities? What are the impacts on the local and market economies, financing, and potential interest in buying housing units? **APCHA has in its inventory over 3,000 deed restricted units – around 1600 are ownership-type units and the others are rentals. This has not adversely affected any financing, sales of free market homes next door to the deed restricted properties, etc. The financial institutions in the area understand our deed restrictions and have no issues with providing funding.**
3. How do deed restrictions contribute to the preservation of affordable housing options for future generations? **They keep the property affordable, and the majority of the ownership properties have to be listed and sold through APCHA. The ownership properties appreciate at a certain rate also keeping the properties affordable.**
4. What are the benefits of having a predictable housing market because of longer-deed restrictions? **The community knows that no matter what, there will always be a certain number of units available to employees of Pitkin County.**
5. How can deed restrictions prevent gentrification and the displacement of long-term residents? **Currently, owners and renters have the ability to remain in their homes after**



retiring, as long as a certain number of years have been maintained working, and they are a certain age.

6. How can deed restrictions ensure that essential workers are able to afford housing near their workplaces? **The Hospital and School District are two entities that have units specifically designated for them, thereby guaranteeing at least some affordable housing options.**
7. What is the average length of an affordability deed restriction in the United States? **I do not know. APCHA's is in perpetuity.**
8. How do deed restrictions address the inelasticity of the housing market? **This does not happen in the Aspen/Pitkin County area.**
9. What factors should the Council consider when creating a policy to balance affordability and equity in homeownership? **The City of Aspen and Pitkin County both have real estate transfer taxes that go into the development and maintenance of the affordable (deed restricted) housing market. The majority of the deed restricted ownership units can only appreciate at a certain amount each year, along with rental rates in the rental deed restricted units, maintaining affordability in the long run.**
10. How can the Council balance deed restriction policies with extenuating circumstances, such as natural disasters or other life-altering events? **I wish I had a good response to this question, but Aspen/Pitkin County has not had to deal with this that would take out a high number of units. I do remember that one of the deed restricted rental projects that contain 80 units had a fire and lost one of their buildings. APCHA and the community stepped up to help those displaced until the property could rebuild.**
11. What are some risks when buying a deed restricted home and how can they be mitigated? What are the risks of buying an unrestricted home? **To answer the first question, a person is buying a home at a subsidized rate. However, maintaining that home up to specific standards requires paying free market prices, which is hard for a lot of families. APCHA properties are seeing massive increases in HOA dues due to property insurance. Aspen and Pitkin County are surrounded by forests. As to the second question, there is currently no property within the Roaring Fork Valley that a working family can purchase. Our program started with the idea that a renter could move from a lower category residence to a higher one, then purchase a deed restricted home, with the hope of eventually selling and moving into the free market arena. That is no longer possible up and down the Roaring Fork Valley.**
12. Should properties in different Area Median Income categories have similar or the same deed-restricted time periods? **All should be in perpetuity.**

13. Should there be different deed-restriction time periods for different types of homes? For example, should a multifamily home and a single-family home be subject to different time periods? What about a one-bedroom single family home and a three-bedroom home? **Again, all should be deed restricted in perpetuity.**
14. Should the length of the deed restrictions correspond to the amount of County funding a project receives? If so, explain how this should be implemented, including whether the type of housing, such as multifamily or single-family, be considered? **It is so important to keep all deed restricted units in perpetuity.**
15. What deed-restriction time periods would you recommend the Council Consider? **Deed restrict the properties in perpetuity.**
16. As it relates to both deed restrictions and the 99-year lease model used by the Department of Hawaiian Home Lands:
- a. Do longer deed restrictions and 99-year leases prevent homeowners taking out home equity loans? **APCHA only has one property where Pitkin County maintains ownership of the land and the owners own their home. The land lease was for 50 years. A few years ago, it went under 30 years and a couple of the homeowners were refinancing. Pitkin County amended their lease back to 50 years. There have been no issues with any of the owners getting financing.**
 - b. Do longer deed restrictions and 99-year leases make it more difficult for potential homeowners to secure financing? **Not in the Aspen/Pitkin County area. However, we strongly advise that any potential buyer stay within the valley to obtain financing as the lenders are familiar with our program**
 - c. Can deed restrictions and 99-years leases specify that the owner is not restricted from refinancing their mortgage or borrowing against the equity in their home? **APCHA allows any owner to refinance their home. However, the lenders do contact APCHA asking for the current value of that home. The letter we provide states the current value of the home, that the owner has the approval to refinance, but cannot refinance over that current maximum value provided in that letter.**
17. How many affordable units have been created since Chapter 2.96, Maui County Code, was enacted? **Not applicable to APCHA.**
18. How can the County address and support each resident's need to afford a home? **In our area, there is never enough. APCHA is workforce housing for Pitkin County, but we are also the area up and down our valley that has any type of affordable housing options. There are employees who are traveling up to two hours one way to get to their jobs.**



The City of Aspen is currently working on a new project that will provide an additional 277 rental units within the new three years.

19. Do you have a preferred managed appreciation formula? **Currently, the majority of the ownership units appreciation at 3% or the Consumer Price Index, whichever is less. APCHA is currently recommending a change to this formula to a flat percentage – 4% possibly. This would require any owner interested in this to enter into an updated deed restriction.**
20. How can the County prevent investors from buying then selling properties for a profit, primarily properties that contribute to the affordable and workforce housing stock? **The City of Aspen and Pitkin County have specific regulations in their Land Use Codes that require employee housing mitigation if the property ever housed employees. Aspen also has had some owners who understand the need and have offered lower prices to the Aspen School District, the Hospital District, as well as the Fire District.**
21. How much affordable housing inventory should be isolated from the general housing market through leaseholds, deed restrictions in perpetuity and housing land trust? **At one point, the City of Aspen and Pitkin County had set a specific percentage of how many employees should be covered. The numbers have changed over the years to 50% to 60% of employees should be housed in what they consider the urban growth boundary. This changes on what needs to be provided as we do allow people to retire in their units. This is something that is being looked into but right now if you required a retiree to move, they would have to leave the area as there is no place affordable for them to move to and still stay in the valley.**

Any questions or any further explanation, please do not hesitate to contact me at 970-920-5455 or cindy.christensen@aspen.gov.