

HOUSING AND LAND USE COMMITTEE

Council of the County of Maui

MINUTES

March 13, 2025

Online Only via Teams

CONVENE: 9:07 a.m.

PRESENT: Councilmember Tasha Kama, Chair
Councilmember Nohelani U‘u-Hodgins, Vice-Chair (In 10:09 a.m.)
Councilmember Tom Cook, Member
Councilmember Gabe Johnson, Member
Councilmember Alice L. Lee, Member
Councilmember Tamara Paltin, Member
Councilmember Keani N.W. Rawlins-Fernandez, Member
Councilmember Shane M. Sinenci, Member (In 9:19 a.m.)
Councilmember Yuki Lei K. Sugimura, Member

STAFF: James Krueger, Senior Legislative Analyst
Ellen McKinley, Legislative Analyst
Carla Nakata, Legislative Attorney
Jennifer Yamashita, Committee Secretary
Lei Dinneen, Council Services Assistant Clerk
Ryan Martins, Council Ambassador

Residency Area Office (RAO):

Zhantell Lindo, Council Aide, Moloka‘i Residency Area Office
Roxanne Morita, Council Aide, Lāna‘i Residency Area Office
Mavis Oliveira, Council Aide, East Maui Residency Area Office
Bill Snipes, Council Aide, South Maui Residency Area Office
Jade Rojas-Letisi, Council Aide, Makawao-Ha‘ikū-Pā‘ia Residency Area Office

ADMIN.: Mimi Desjardins, First Deputy Corporation Counsel, Department of the Corporation Counsel
Kristina Toshikiyo, Deputy Corporation Counsel, Department of the Corporation Counsel
Richard “Remi” E. Mitchell, Director, Department of Housing

OTHERS: Resource Personnel
Justin Tyndall, Associate Professor of Economics, University of Hawai‘i Economic Research Organization (UHERO)
Randy Chu, Development Branch Chief, Hawai‘i Housing Finance Development Corporation (HHFDC)
Rusty Rasmussen, Senior Vice President & Home Loans Division Manager, Central Pacific Bank
Tera L.H. Paleka, Certified Mortgage Planning Specialist, Hawai‘i Financial Services
Misty Griffiths, Mortgage Loan Originator, The Money Store

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Joe Kent, Vice President, The Grassroot Institute of Hawai'i, Inc
Simon Windell, Treasurer, Northwest Community Land Trust Coalition
Lee Wang, Executive Director, Housing Hawai'i's Future
Perry Arrasmith, Director of Policy, Housing Hawai'i's Future

Testifier

Jasee Law

Others (48)

PRESS: *Akakū: Maui Community Television, Inc.*

CHAIR KAMA: *... (gavel) ...* Will the Housing and Land Use Committee meeting of March 13th, 2025, come to order. It is now 9:07 a.m. I am Tasha Kama, Chair of the Housing and Land Use Committee. This online meeting is being conducted in accordance with the Sunshine Law. Members, when your name is called, if you are not with me in the Council Chamber, please identify by name who, if anyone, is in your workspace with you today, and minors do not need to be identified. So, we want to say good morning, first of all, and aloha kakahiaka to our Council Chair Alice Lee, who will give us the morning greeting.

COUNCILMEMBER LEE: Oh, the morning greeting is aloha mai kākou. And I am here not alone but with all of you, and looking forward to your meeting. Thank you.

CHAIR KAMA: Thank you. So, aloha mai kākou to everyone, and aloha kakahiaka. We're going to continue on with Council Vice-Chair Nohe U'u-Hodgins, who will be arriving later on in the morning. And we're going to continue to say aloha mai kākou to Council Vice-Chair Yuki Lei Sugimura.

COUNCILMEMBER SUGIMURA: Good morning and...what...what did you say? What --

COUNCILMEMBER LEE: Aloha mai --

COUNCILMEMBER SUGIMURA: Aloha mai --

COUNCILMEMBER LEE: -- kākou.

COUNCILMEMBER SUGIMURA: -- kākou. Aloha mai kākou. Anyway, good morning, and looking forward to a very interesting meeting. Thank you, Chair.

CHAIR KAMA: Thank you. And we're going to say aloha mai kākou to Councilmember Tamara Paltin.

COUNCILMEMBER PALTIN: Kakahiaka no...

COUNCILMEMBER SUGIMURA: Oh.

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COUNCILMEMBER PALTIN: Kakahiaka no aloha mai kākou.

CHAIR KAMA: Maika'i and we're going to continue with Councilmember Gabe Johnson. Aloha mai kākou and aloha kakahiaka.

COUNCILMEMBER JOHNSON: Aloha mai kākou, Councilmembers, community members. There's no testifiers at the Lāna'i District Office. I'm alone on my side of the office. Thank you, Chair.

CHAIR KAMA: Thank you. And we want to say good morning, aloha kakahiaka, and aloha mai kākou to Councilmember Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aloha kakahiaka kākou, my Moloka'i Nui a Hina. I am at my private residence, alone here, and there are currently no testifiers at the Moloka'i District Office. Mahalo, Chair.

CHAIR KAMA: Thank you. I want to say good morning, and aloha kakahiaka, and aloha mai kākou to Councilmember Tom Cook.

COUNCILMEMBER COOK: Aloha kakahiaka, aloha kākou, and I'm looking forward to the meeting today. Thank you, Chair. And there's currently no testifiers in the Kihei District Office.

CHAIR KAMA: Thank you. And so, we want to say aloha mai kākou and aloha kakahiaka to Councilmember Shane Sinenci. *(pause)*

MR. KRUEGER: Chair, currently, we don't see Councilmember Sinenci online. Apologies.

CHAIR KAMA: Okay. We'll excuse Councilmember Sinenci until later on when he shows up, and we'll recognize him with Member U'u-Hodgins. So, we also have with us this morning from the...the Corporation Counsel, Deputy Mimi Desjardins. Good morning, Mimi, and aloha mai kākou to you. We have with us sitting in the...the galley Remi Mitchell, the Director of our Housing Department. Good morning. He's waving over there. And we also have our other resources. We have Dr. Justin Tyndall, who's a Professor of Economics from the University of Hawai'i Economic Research Organization. Aloha kakahiaka, Dr. Tyndall.

MR. TYNDALL: Aloha mai kākou. Thanks for having me.

CHAIR KAMA: Thank you for being here. We also have Randy Chu, the Development Branch Chief of Hawai'i Housing Finance Development Corp. Aloha kakahiaka, Randy.

MR. KRUEGER: Apologies, Chair. Mr. Chu just joined. We're making him a presenter now.

CHAIR KAMA: Okay. Thank you. We'll come back to say good --

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MR. CHU: Good morning and aloha.

CHAIR KAMA: Oh, good morning. It's nice to see you again. . . .*(laughing)*. . . We want to say good morning and aloha kakahiaka also to Rusty Rasmussen, Senior Vice President & Home Loans Division Manager of Central Pacific Bank.

MR. KRUEGER: Chair, we...currently, we don't see Mr. Rasmussen online --

CHAIR KAMA: Okay.

MR. KRUEGER: -- but we're still on the lookout for him.

CHAIR KAMA: Okay. Thank you. And we also have Ms. Tera Paleka from the Certified Mortgage Planning Specialist of Hawai'i Financial Services. Did you see her online, too? Okay. Good morning.

MS. PALEKA: Good morning. Aloha kakahiaka.

CHAIR KAMA: It's nice to see you. Thank you for being here. And we also have present with us in the Chamber Misty Griffiths, the Mortgage Loan Officer for The Money Store. Aloha kakahiaka.

MS. GRIFFITHS: Aloha kakahiaka. . . .*(inaudible)*. . .

CHAIR KAMA: And we also have with us Mr. Joe Kent, the Executive Vice President of The Grassroot Institute of Hawai'i. Good morning. Thank you for being here.

COUNCILMEMBER SUGIMURA: In person.

CHAIR KAMA: And we also have online Mr. Simon Windell, the Treasurer of the Northwest Community Land Trust Coalition. Good morning and aloha kakahiaka to you.

MR. WINDELL: Aloha and good morning. Thanks for having me.

CHAIR KAMA: Thank you for being here. We also have Lee Wang, the Executive Director of Housing Hawai'i's Future. Good morning.

MR. WANG: Aloha. Good morning. Happy to be here.

CHAIR KAMA: Thank you. We're glad you're here. We also have with us Perry Arrasmith, the Director of Policy at Hawai'i...Housing Hawai'i's Future. Good morning, Mr. Arrasmith.

MR. ARRASMITH: Aloha kakahiaka. Good morning.

CHAIR KAMA: Thank you for being here with us. So, Members, if there are no objections, I will designate the people I mentioned as resource persons under Rule 18(A) of the Rules

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of the Council, and each person possesses experience and knowledge that can help us gain insight on the benefits and impacts of deed restrictions.

COUNCILMEMBERS: No objections.

CHAIR KAMA: Thank you. And so, we have our Committee Staff with us this morning. Our...our Senior Legislative Analyst James Krueger. Aloha kakahiaka and aloha mai kākou.

MR. KRUEGER: Good morning, Chair and Members.

CHAIR KAMA: And we have our Legislative Analyst Ellen McKinley. Good morning, aloha mai kākou to you.

MS. MCKINLEY: Aloha mai kākou.

CHAIR KAMA: And we have our Committee Secretary, Jennifer Yamashita. Aloha mai kākou.

MS. YAMASHITA: Good morning, Chair and Members.

CHAIR KAMA: And we have our Legislative Attorney Carla Nakata. Aloha mai kākou.

MS. NAKATA: Aloha, Chair and Members.

CHAIR KAMA: And we have our Assistant Clerk Lei Dinneen out there registering all of our testifiers this morning. And aloha kakahiaka to you, Lei.

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

CHAIR KAMA: So, thank you, Members, for attending today's HLU Committee meeting. We have one item on the agenda today, our three bills relating to residential workforce housing deed restrictions. So, in accordance with the Sunshine Law, as Chair, I will be calling for testimony for our single item after we receive opening comments from our resources. So, Members, I ask that you hold all of your questions until after testimony has been closed. So, Members, we've had several meetings to discuss Bills 22, 12, and 74. We previously decided that we need to consider the County's deed restrictions in-depth with the help of various experts and stakeholders so we can establish a policy that helps us retain our affordable housing stock without creating negative impacts on the local families we are seeking to help. In our last HLU Committee meeting, we heard from representatives of the local development industry, the Department of Hawaiian Home Lands, and our own Department of Housing. In today's meeting, we will be hearing from a panel of economic and financial experts, as well as housing policy advocates. I will call on each of our resources to provide their opening comments regarding deed restrictions, and I'd like to start with Dr. Justin Tyndall. So, Members, since we have not taken testimony, we will need to hold our questions for the resources

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until we've taken testimony for this meeting. So, it is my intent to complete our rounds of questions for the resources by lunch recess so that we may use the afternoon time for discussion. So, Dr. Tyndall, opening comments, please.

MR. TYNDALL: Absolutely, Chair. So, thanks a lot for having me. So, I'm Justin Tyndall, I'm an Economics Professor at UHERO focused on housing. We put out housing reports, this housing fact book every year. I lead those efforts. So, I'm, you know, very interested to hear discussion on that--sort of the justifications and pros and cons of, you know, extending these deed restrictions. I think I could just give like a little bit of background on housing regulation in Hawai'i and Maui. So, we've done a couple reports trying to measure sort of the amount of cost that regulation on new construction of housing imposes on developers. So, we did this sort of national survey looking across the planning departments. You know, Hawai'i and Maui, a little bit in particular has perhaps the strongest...the most restrictive laws around the production of new housing, right? So, it's more difficult to build multifamily housing currently on Maui than just about any other place in the U.S., right? And a big part of this is affordable housing requirements. So, you know, there's been some up and down in the history of Maui's affordable housing requirements, but there's still, you know, on the books, very strong inclusionary zoning rules, right? So, you know, I think, of course, everyone's goal is to see an expansion of housing that's available to people at lower incomes in particular. I think if we look at the research across the other markets, the...the consensus seems to be that expanding inclusionary zoning rules leads to increases in rents, right, because of this unintended consequence that it's a discouragement to building new housing. So, you know, discussions with developers, the longer the deed restriction is, it's much more difficult to sell those units. So, you see them, you know, in some cases in...on O'ahu, we have many units sitting empty because they can't find a buyer. But I think the bigger effect is that we see developers not proposing projects to begin with because they're not penciling out at the first stage. So, if they have, you know, very strong requirements to provide deed-restricted units, they're not going to...they feel that they're not going to be able to sell them, and then they're not going to provide the housing to begin with. So, I think this is a limiting factor in...in the production of new housing. I think if we look, you know, at the last 30 years of housing production across the State, we've...we've added very little, you know, new housing. If you go by census numbers, you know, Maui actually has fewer residential housing units today than it did five years ago, you know, because the...the tiny amount of production, you know, hasn't even kept up with conversions to vacation rentals and...and second homes. So, you know, I think a big focus needs to be, how can we produce more housing units? You know, that's going to be...if we look at, you know, ten years in the future, and we think that we've, you know, made progress, I think that's going to look like Maui's built quite a bit of new housing for people. So, I think the question is, how do we get to that point? So, you know, I think we need to think very carefully about deed restrictions, you know, if they can be a tool in, you know, getting public buy-in and expanding housing supply, then you know, perhaps broader restrictions could be justified. But I think the overwhelming evidence, you know, across, you know, a lot of jurisdictions in the U.S. and elsewhere, it's, you know, increasing inclusionary zoning rules actually leads to the unintended consequence of higher rents because we get less...less housing production. So, maybe

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I'll...I'll leave it there, but I'm...I'm very interested to see other people's perspectives and...and learn more about the proposal. So, thank you.

CHAIR KAMA: Thank you. Thank you very much. And so, I think we're going to go to Mr. Randy Chu. Mr. Chu, comments, please?

MR. CHU: Oh, good morning.

CHAIR KAMA: Good morning.

MR. CHU: Good morning and aloha.

CHAIR KAMA: Aloha.

MR. CHU: I'd like to say that the use of deed restrictions is a powerful tool for supporting the local workforce by ensuring that housing remains available for local residents, promoting workforce retention as longer affordable housing with deed restrictions can help retain local workforce, which is vital to Maui's economy. Reducing speculation as it is...discourages speculative investments, and ensures that housing serves the residents rather than becoming a commodity. In general, longer deed restrictions will promote preservation of affordability by ensuring that housing remains affordable for a more extended period, benefiting future generations of local residences, and creating community stability by helping to create stable neighborhoods where residents can establish long-term roots. Like Dr. Tyndall indicated, there are financial implications to it that needs to be considered, but from a housing perspective, we look at it for trying to keep our local folks here, and this is one tool to do...to help do in that arena. Thank you.

CHAIR KAMA: Thank you very much, Mr. Chu, for your opening comments. Is the Senior Vice President from Central Pacific Bank here yet? No? Okay. Let's...let's go on to Ms. Tera Paleka. Tera? Good morning. Your comments, please.

MS. PALEKA: Well, I...I am very happy that Randy read off his response because that helps me. I'm going to read part of mine. Affordable housing is critical to a sustainable local economy because it ensures that essential workers, such as our teachers, our healthcare professionals, police, firefighters, and hospitality staff, can live within the communities they serve. Deed restrictions prevent speculative resell, maintain stable housing prices, and ensure long-term workforce retention. Furthermore, I'd like to add that studies have shown that . . .*(inaudible)*. . . that the inability to afford basic housing leads to stressful and stress-related mental illnesses, substance abuses, spousal abuse, child abuse, and more so. So, I am for it 100 percent, and I'm grateful to be here. Thank you.

CHAIR KAMA: Thank you very much for those comments. So, we're going to continue on with Simon Windell, who's online, with the Northwest Community Land Trust.

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MR. WINDELL: Aloha, Chair, Vice-Chair, and Members of the Committee. Thank you so much for inviting me to be a part of this conversation. My name's Simon Windell, and home for me is Washington State in a mountain town recreation economy with very similar housing affordability dynamics as Maui. We don't live on an island, but we are at the end of a highway with limited land availability, high demand for second homes, and a workforce that cannot afford to rent, nor to buy. About two years ago, my wife started a PhD at Colorado State University, so for the time being, Fort Collins, Colorado is also a home base. I'm the part-time CFO of the Methow Housing Trust, a community land trust in my hometown in Washington. I'm the part-time CFO of the Lāhainā Community Land Trust there on Maui. And I work for...I also work for an organization that does large acquisition projects in Colorado, where we facilitate the resident-owned purchasing of land underneath mobile home parks all over Colorado, including mountain towns like Vail, Breckenridge, Durango, et cetera. And then, I do a little consulting for community land trusts across the U.S., specifically around policy, pricing, finances, and ultimately, just getting housing built. And then I...I also volunteer as a planning commissioner in the town of Winthrop, in my hometown of Washington; the Treasurer of the Northwest Community Land Trust Coalition; and the Chair of the board of a social services nonprofit in Washington that's actively working on a low-income housing tax credit project. So, all that is to say, I think it's fair to say that I eat, breathe, and...and dream about housing, which is kind of a problem at dinner parties sometimes.

CHAIR KAMA: . . .*(laughing)* . . .

MR. WINDELL: And around Maui specifically, I think...you know, I...I think that it's...it can be kind of a dangerous narrative to say that the...the...the solution to our housing crisis is supply. And, you know, with all due respect to economists studying the...the very challenging effects of our zoning, our regulation, the cost of materials, trying to figure out how to...how to solve these problems, I think oftentimes, in academia, the...the...the solution...a lot of those studies are based upon the...the outcome of supply or wealth creation. And I think it loses sight of the concept of community health and socioeconomic diversity, particularly in communities like Maui, where there is...it's globally...it's globally interesting, right? There's...the median home price--I know I'm preaching the choir here, but the median home price in Maui would require \$262,000 a year to afford, and that's with a fat down payment of 275,000. And that represents about 10 to 12 percent of the households of Maui County. Most households earn less than 110,000. So, said differently, most of the homes in Maui County are unaffordable to 90 percent of the households. And as homes continue to appreciate at a rate two to three times wage growth, the problem only gets worse. And it's not a problem that an individual can solve for themselves. No amount of credit counseling, hard work, or cutting down on latte purchases makes the math work. So, the market is a market failure, you know? I think as...as...as economists--and Justin, I'm...I'm curious as to your take on that--but I think it's a market failure. You know, for--I think it's important to remember that for most households on Maui, the option is to rent or to leave. There is no market option to purchase. The third rail is deed restrictions. Deed restrictions are just some guardrails on the market. And they...they do allow for meaningful equity creation that's balanced with the need to ensure that there's housing available for those that live and work here, and that--those are the outcomes that I think we should be

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measuring the success of housing policy on, not purely on the...the basis of supply or wealth creation for individual families. So, I guess in closing, in terms of what's on the table today, I believe that the bills represent progress, but even at 20, 16, and 10 years, those deed restrictions are going to time out before enough replacement housing is even created to keep the total number of affordable units constant. And there's a large unmet need today, so you never actually make a dent in the problem. I think you'll find communities that are utilizing deed restrictions that have made progress approach these as perpetual. So, in closing, I hope to be a resource maybe to dispel some of the common myths about deed restrictions, that homeowners don't generate wealth, that lenders won't lend, that projects can't get financing, and that it's difficult to sell those deed-restricted properties. I know some sit empty, but I think that's a failure of pricing policy, and I think Maui County did a great job with the latest policy update to fix some of those problems. So, once again, thank you, Chair, Vice-Chair, and Members of the Committee, for...for having me. I really do look forward to the...to the conversation.

CHAIR KAMA: Thank you. And I think everyone's looking forward to your conversations, too. We're going to continue with Mr. Lee Wang, the Executive Director and...of Housing Hawai'i's Future. Mr. Wang?

MR. WANG: Aloha. Thank you. If I were to present some slides, is there a screen in the Chamber...in the Chamber that they can see something I would...I could...I could share?
(pause)

CHAIR KAMA: Members, would you like to see the slides that Mr. Wang wants to present?

COUNCILMEMBER SUGIMURA: Yes, please.

CHAIR KAMA: Okay. Mr. Wang?

COUNCILMEMBER RAWLINS-FERNANDEZ: Yes.

CHAIR KAMA: We have a --

MR. WANG: Great.

CHAIR KAMA: We have...how do you want to do this? Do you want to share your screen?

MR. WANG: Sure. Let me...

CHAIR KAMA: Okay. So, you...can you? Yeah.

MR. WANG: So, appreciate you guys having us. My background...I've gotten a chance to speak with some of...some of the Councilmembers, but for those of...those of you who have not met, I'm the Executive Director for Housing Hawai'i's Future. I come from a background in real estate, where I've spent 14 years working one-on-one with first-time homebuyers. My specialty has been in affordable housing programs, both on the sales and consulting side, and intimately familiar with the affordable housing programs and

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deed restrictions, but beyond that, have individually helped and talked with literally thousands of families that have opted for affordable housing, and thousands of families that have decided that affordable housing and the restrictions that come along with them were just too much to bear. So, I'll keep it fairly brief. Really, the speakers before me brought us some really great points. I won't belabor those. But, you know, we believe that the solution...the problem is not simply a supply problem or simply a demand problem, it is a supply-and-demand problem that requires production and protections. The...the protections...the production is pretty self-explanatory, but the protections come in the form of these deed restrictions. We think of it kind of like strings. If you put enough strings down, eventually you have a nice shirt to keep you warm; but you put too many strings down, eventually that shirt turns into a straitjacket. What we did was we studied affordable housing deed-restricted properties, this example being on...in Honolulu County. But in the past 12 years, really, all of the affordable housing programs, whether State-run or County-run, have fallen into three categories as they've evolved. The first set have started with buildings like 801 South. Very few restrictions, one-year restriction, owner-occupancy, no shared equity aside from that one-year owner-occupancy...occupancy term, Hawai'i resident, things like that. But really, this didn't accomplish the goal. A few year...after that one year, folks were selling for great profits and moving on, and it really didn't provide the sustained affordability that we were looking for. So, the second iteration of these programs came in at two and five years, with some moderate AMI restrictions, with some asset restrictions, also with some buy-back insured equity restrictions. These are still pretty well-subscribed. Two and five years seem to fit what residents were looking for. And currently, we're at a state where you have some of the...the most restrictive policies possible out there on deed restrictions, some going anywhere from 10 to 30 years, which, you know, if you were to ask a young homebuyer in their early 20s or mid-30s where will they be in 10 years, or let alone 30 years, they'd probably have a hard time answering that. I'm kind of front-loading my comments only because I...I do have to leave at 10:30, but really, a lot of the nuance of the conversation is where we want to get into. You know, the...the term, deed restriction, has so much nuance to it, and really, there's two levers to...to deed restrictions. The bills that we're going to talk about today really only talk about one of these levers, and that lever is time. The...the conversation is centered around, do we...do we go lower in time, or do we go further towards perpetuity, but it ignores the second lever of deed restrictions that live in conjunction with that, which is restriction. So, you can have very low-restrictive restrictions, such as just local occupancy, or you can get to the point that we're at, where you could require a local occupancy, an occupancy period, income, asset, equity-sharing...things that really add a lot of layers of cost. The...the way to think about this beyond what legislators say, and what developers have to say is, what does the local resident feel about this? So, imagine you're that local resident, you're being offered a 500...a \$600,000 home for a discount of \$500,000, but there's the explicit cost of what you're going to have to pay for it, and then there's the implied cost of all of the strings attached with it. Now, it would be great if we had a Magic 8 Ball to assign a dollar amount to these things, but that's what buyers do in their mind. They ask themselves, what is the cost of this to me, and can I hack it? So, a lot of times, when you look at local occupancy, or a 10-year occupancy period, or equity sharing, you can put a set dollar amount to it. But when you get to other things, such as an income cap, these start affecting the total buyer pool. So, when

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you put that income cap, then a lot of the market starts getting filtered out. And this is a concern not just for developers, but also for...for legislators like yourselves. The interest rate going up suddenly reduces the buyer pool. An asset cap punishes those that are really, really good at saving money, and all of a sudden, the large buyer pool you thought was there shrinks down. This is a consideration, again, both for developers and for legislators. So, what is the true cost? Really, what we found in the data is that--you know, these numbers are just for example purposes--but when you ask a home buyer are they concerned about an occupancy requirement, you know, no. They're...they're buying it to live in, right? So, the cost to them is pretty low. An equity-sharing requirement, there's a pretty clear dollar amount on that that they can...they or a developer --

COUNCILMEMBER RAWLINS-FERNANDEZ: Chair --

MR. WANG: -- can calculate. Sorry. But the...the tough one that ends up coming back is --

COUNCILMEMBER RAWLINS-FERNANDEZ: Chair?

MR. WANG: -- the...the ten-year occupancy, or whatever the occupancy period is. If it becomes too expensive, then there's no value there. So, maybe to a retiree, that still looks like a great deal. Maybe to a young professional, it gets a little bit more expensive. Maybe to a family of four, but putting them into a two-bedroom for ten years is just too high of a cost for them.

COUNCILMEMBER RAWLINS-FERNANDEZ: Chair?

CHAIR KAMA: Mr. Wang --

MR. WANG: The --

CHAIR KAMA: -- can you please...Mr. Wang, could you please hold on a moment, please?

MR. WANG: Yeah. Sure. No problem. Yeah.

CHAIR KAMA: Member Keani Rawlins, is that you?

COUNCILMEMBER RAWLINS-FERNANDEZ: It is.

CHAIR KAMA: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

CHAIR KAMA: Yes?

COUNCILMEMBER RAWLINS-FERNANDEZ: My apologies for --

CHAIR KAMA: Yeah.

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COUNCILMEMBER RAWLINS-FERNANDEZ: -- interrupting you, Mr. Wang.

CHAIR KAMA: No, go ahead.

COUNCILMEMBER RAWLINS-FERNANDEZ: I just wanted to be fair to all of our resource people. I...I think it's been past three minutes. I...I --

CHAIR KAMA: James?

COUNCILMEMBER RAWLINS-FERNANDEZ: -- appreciate Mr. Wang's presentation, but I just want to be fair to everyone. I think everyone was given three minutes.

CHAIR KAMA: You are correct. So, hold on a minute. What did we decide with Mr. Arrasmith?

MR. KRUEGER: Oh. So, Chair, I suppose...well...well, we are just reaching out to Mr. Arrasmith to see if he's going to be here past 10:30, and that way we can at least still have the benefit of Hawai'i Housings Future's [sic] perspective.

CHAIR KAMA: Okay. Okay. Okay. So, thank you very much, Member Rawlins-Fernandez. So, Mr. Wang, if you don't mind holding on, and we'll continue with the...the rest of the resources that we have. We have, I think, three more that should be...we have the two in the Chamber and the Central Pacific Bank. And then...then we'll go to testimony, and then we'll have Members ask questions, and then you probably could complete whatever it is that you had. Yes, Ms. Sugimura.

COUNCILMEMBER SUGIMURA: I...I wonder if Mr. Wang could provide us a copy of his --

CHAIR KAMA: Yes.

COUNCILMEMBER SUGIMURA: -- PowerPoint.

CHAIR KAMA: Yes.

COUNCILMEMBER SUGIMURA: Very interesting.

CHAIR KAMA: Are you able to do that, Mr. Wang, provide a copy of your PowerPoint to the Committee?

MR. WANG: Sure. Yeah, no problem.

CHAIR KAMA: Okay. Okay. Thank you. So, if you could hold on, we're going to go onto those who are in the Chamber. We're going to go with Misty Griffiths from The Money Store, and followed by Mr. Kent from Grassroots Institute. And then, hopefully, by that time, Ms. Rasmussen will be here.

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MS. GRIFFITHS: Aloha mai kākou. I'm Misty Griffiths, and I work for The Money Store. I've been in the lending industry for 38 years here on Maui. My previous testimony last year--I think most of you guys heard it--it dealt with the shared appreciation and the deed restrictions. And at that particular time, we were closing up and finishing Hale Kaiola, which I understand was a heated topic. In any event, it was difficult when...when it became a 20-year deed restriction. I'm not against deed restrictions. I think it helps our local people to stay in Hawai'i. It became very difficult. And what I found, now that we've moved forward, when I look at the diversity there at Hale Kaiola in particular, it was 50 percent kind of newcomers, but been here a couple years--that was the...that was the requirement--but for the most part, our local families, born and raised here, there's not many in that project. There is a few of them. Those are the people that I believe will stay, and I don't think they have a problem with the long deed restriction. The issues that we...that did come up, that when reading the policies that was wanting to be amended, was couple things that I just want to point out. The below-moderate income was going to change from 10 to 20 years, the moderate income from 8 to 16 years, and the above-moderate income from 5 to 10 years. I was just curious, what was the thought behind that? And my thought, and my mana'o, is why are you involunt...these people are involuntarily being discriminated, the...especially the 20-year one. When they're below-moderate, those that make less income get a higher restriction. So, I thought just across the board, if you're going to do a 20-year, 20-year. If you're going to do 10-year...everybody gets the same. Because it appears that the above-moderate people get the better benefit of only ten years, okay? A couple things that I did work on was the financing issues with that particular project. Since it was a 100-percent workforce development, the developers did ask us at The Money Store to come go...go in and get it VA-approved and FHA-approved. And I testified on this before, we cannot get it FHA-approved and VA-approved because the shared appreciation is 25 percent. With FHA, they don't mind a sliding scale of shared appreciation--they're okay with that--but their policy with HUD is after two years, you have to have 50 percent share equity with the home buyer. So, that became a waste of money for the developer spending thousands of dollars to have this approved, and it was denied, as well as VA. So, we could only get it conventionally approved. With that note, if we take our 80 percent AMI, two...family of two, 79,800 right now, if you look at a conventional loan, typically 30 percent of their gross income can be utilized towards the mortgage payment. And if you take 6,650 times 30 percent, basically it's 1995 for a mortgage payment. That equates at 6-1/2 percent interest to \$236,000 of buying power. You can't buy anything in Maui. And then I thought about this last night. Typically, what we found--and I've been dealing with this with the project of Hawaiian Homes at Pu'u'hona, which is a big deed restriction, right?...I'm very familiar with Hawaiian Homes as well--what we found is there was a great divide. It was either 80 percent AMI, or they're all over 120 percent AMI. Why? And you can ask Tera, the first thing we ask a client when they walk in, what's your full-time job? What's your second job? So, that puts them into the 120 percent AMI, which is about 119,000. So, we have to consider those things as well. Now, if you do an FHA loan, you're qualifying at that same 80 percent AMI, it goes from 236,000 to 340,000. Interest rates are lower, you can use a higher debt-to-income ratio, easier to qualify. So, keep that in mind. FHA is a big part of the first-time home buyers, you know, as far as qualifying income for a loan. With regards to the 120 percent AMI, if you can do an FHA loan, they can jump

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all the way to 550,000, and your payments would be about \$3,800 a month, kind of what we're paying for rent here on Maui. I don't envy your jobs because that's a hard...those are real numbers, and it's hard to juggle. There are three problems that we face with our buyers. No down payment...we know this with the affordables. Very--lack of down payment, interest rates are too high. With Hawaiian Homes, we've kind of solved that problem a little bit with the project that we're working on right now. We went in for an ask of...instead of giving the developer the money to lower the cost, it was more cost-effective to give the money back to the people, and they did that in the way of grants of 45,000. And now, we can split that \$45,000 of grant for down payment, buying down a permanent interest rate buy-down. So, instead of it--6-3/4 is what they're locking in at some of the loans. It is now at 5-1/2. So, making it easier to qualify for a higher amount, easier on the borrower to qualify, easier on the payments.

CHAIR KAMA: Misty, can you wrap up?

MS. GRIFFITHS: But anyway, that's my mana'o. If you have any questions with regards to Hawaiian Homes, I'm available to ask...answer. Mahalo. Thank you.

CHAIR KAMA: Mr. Kent.

COUNCILMEMBER SUGIMURA: Oh, interesting.

MR. KENT: Aloha, Chair and Councilmembers. Oh, is this on? Okay. Now, aloha, Chair and Councilmembers. Thanks so much for inviting me. I think that deed restrictions can function on a curve. So, if you imagine a curve of basically the cost to build...the higher the cost to build, the more difficult it is for deed restrictions and heavy affordable housing programs to actually work. This is why when we heard Peter Savio talk two days ago about how easy this could be...you know, if you look at his projects, the project that he seemed to describe was around 200 to \$300 a square foot to build. But on Maui, the cost per square foot is 500 to 1,000, so--and that's an astronomic difference. If you look Statewide at costs to build...I mean, across the nation, every single state except Hawai'i has a cost to build below \$200 a square foot. And so, you know, even \$300 is difficult, but they do it on O'ahu. But on Maui, it's very difficult. I...I have all kinds of statistics, and I recommend that this Committee read the report from Grounded Solutions Network. They are an affordable housing and deed restriction advocate nationwide. They did a study of 1,000...they...they basically show that there are over 1,000 deed-restriction affordable housing programs, and...and they have a big spreadsheet if you want to look at it. But the big take-away is these programs function as intended when the cost per square foot is low. But the higher it goes, the more difficult it is to function. And that's kind of what we're seeing right now. I don't know if you've ever heard of shrinkflation. When the prices for things rise, the only way to cut back and keep the price low for the consumer is to actually cut down on the price...on the materials and the building of the product. And so, this is an unintended consequence of affordable...strict affordable housing programs in high-cost areas is, the developer is now pushed and to shrinkflate the homes. And that's perhaps what we're seeing with the Hale Kaiola project. On--a couple days ago, we did see several testifiers from that project basically testifying that it was a lemon, in their views; that it was a

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money pit for them; and that they...there was a lot of construction problems and so on.
...*(timer sounds)*... I guess I'll stop there, so...

CHAIR KAMA: ...*(laughing)*... Thank you so much. Okay. So, we're going to go to Rusty Rasmussen, the Senior Vice President & Home Loans Division Manager of Central Pacific Bank.

MR. RASMUSSEN: Hello there. Thank you so much. Yes. As far as the extended deed restriction times, I guess I would want to point to some of the case studies that we have here on O'ahu. One of the first extended deed restriction times with the Sky Ala Moana project--and they had gone to sale, I believe, back in 2018--and they had a 30-year buy-back restriction on those units. So, if we fast forward, that project was actually built...it was completed in, I believe, December of '23. And so, there were originally, I think, 80 units in there that had this 30-year buy-back restriction, and so now there are about 60 or 70 of those still remaining vacant. So, they've been vacant now for two years, and they can't sell those units. The developer is putting additional incentives, trying everything to sell it, but the only ones that will sell are the ones that the deed restriction has moved up to ten years. So, there was included in the...in the framework of that particular project, if the units don't sell for, I can't remember, six or nine months, then some of the units could move to a 20-year buy-back...and then if they still don't sell, then some could move to a 10-year buy-back. So, what we found is that all of those units, the only ones that are selling are the ones that have moved to a ten-year buy-back, and that seems to be kind of what is accepted in the marketplace of affordable home buyers out there. So, you know, I think that that's important. Those units still sit vacant. Nobody's living in there. They've been vacant for two years, and it'll probably be another two years to sell all of them. And then right behind that, the next project that had the 30-year buy-back is The Park on Ke'eaumoku, which is another high-rise here on O'ahu. They had some--I think, 120 units or so--and we've seen the same thing there is, the only units that will sell are the...are the units that have moved into a ten-year buy-back. So, I think it's important to note that we've seen the response from the community, from the consumer, and it's...it's quite obvious that anything over a ten-year buy-back, there's a lot of challenge there. Another thing that has occurred is that over the years, the developers, in trying to meet these sales price restrictions in building these properties, the units keep getting smaller and smaller and smaller. So, for example, in Sky Ala Moana, the bulk of the 70 units that are vacant that are...currently, most of those are like 4- or 500-, 600-square-foot studios and one-bedrooms. So, you know, there...there's a fundamental issue there, in that in order to--for this to pencil for the developer, the units are getting smaller and smaller. But, you know, people don't want to live in 400-square-foot unit for 30 years. It creates a number of challenges there. So, I thought I would just share with you what we've seen over here, and, you know, I..I just would recommend some caution in any deed restriction that goes over ten years because we've seen what the...what the result is. Those are being built, and then, you know, nobody wants to buy them.

CHAIR KAMA: Thank you.

MR. RASMUSSEN: Thank you very much.

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CHAIR KAMA: Thank you very much, Mr. Rasmussen. So, that--those were our eight resources we have for today, and I think we should go into testimony right now. Do we have any testifiers?

MR. KRUEGER: Chair, we currently don't have anybody signed up to testify, so perhaps maybe we'll just do a last call just to double-check and make sure. If there is anybody who would like to testify on this item...oh, Chair, there's an individual approaching the podium.

. . . BEGIN PUBLIC TESTIMONY FOR ITEM HLU-24 . . .

CHAIR KAMA: Okay.

MR. LAW: Aloha mai kākou. Jasee Law, Waiakoa ahupua'a Kula Uka.

CHAIR KAMA: James, do we have to redo . . . *(inaudible)*. . . Can you hold on a minute, please, Mr. Law? Do we have to redo? Okay. Go ahead, Mr. Law. You have three minutes.

MR. LAW: Gideon's Bible, Book of Job 34:17, shall one who hates justice govern? Will you condemn him--or her--that is righteous and mighty? And it goes on from there. Lili'uokalani's birth name was Lydia Lili'u Loloku Walania Wehiwehi Kamaka'eha. Everyone born in the Kingdom of Hawai'i is keiki o Lili'uokalani. How can a child say to their mother, you are not relevant? I reserve the rest of my time for the people of Hawai'i.

CHAIR KAMA: Thank you, Mr. Law. Do we have any other testifiers? Do you want to do a last call?

MR. KRUEGER: Yes, Chair. We will do a last call for testimony. If there is anyone else who would like to testify on this item, please identify yourself now. On Teams, you can do that by using the raise-hand function. We'll do a countdown...three, two, one. Chair, no one else had indicated that they wish to testify on this item.

CHAIR KAMA: Thank you. So, Members, seeing as how there are no more individuals to testify, without objection, I would like to now close oral testimony. And as a reminder, written testimony will continue to be accepted into the record.

COUNCILMEMBERS: No objections.

. . . CLOSE PUBLIC TESTIMONY FOR ITEM HLU-24 . . .

CHAIR KAMA: Thank you. So, we will now proceed with our discussion. Members, I'm going to call upon you to ask questions that you have for our resources in the Chambers, as well as online. And I'm going to ask Staff to set a three-minute timer for each Member

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so that you can all get your questions asked and answered, and if we need time...more rounds to do that, we're going to do that. But we're going to begin, first of all, with Committee...oh, okay. Nohe's not here yet. Let's go to Council Chair Lee for questions.

COUNCILMEMBER LEE: Thank you. Mr. Kent, I noticed that you didn't have an opportunity to finish some of your comments. I was following you all the way there, and then you had to stop.

MR. KENT: . . .*(laughing)*. . .

COUNCILMEMBER LEE: Could you...could you finish?

MR. KENT: Yeah, I...I--thank you. I was just going to speak to the unintended consequences of a high housing market combined with a restricted affordable housing program that...that in some ways, leaves developers with--or...or home providers with only one option, which is to skimp on the construction of the home, and...which is what we saw on Monday with all of the testifiers who were complaining about the construction of their build. Those testifiers seemed to say that they had to dig into their pockets to repair the problems in the construction, and...and so they are also worried about a long deed restriction sort of lowering the value of their property below the price. Remember, price isn't the same as value. You have the price that...and then you have the value of the property. If the value is lower than the price, it's difficult to sell at all. And this is what those people, I think, are most worried about, is...and that's why I don't buy the theory that deed restrictions automatically keep people here. Because there were a lot of people, locals, who actually qualified for the project, who decided not to buy it, and decided to move away to the mainland because, for them, that was the better option. And...and there's no evidence that shows that deed restrictions keep people...you know, locals local.

COUNCILMEMBER LEE: I have one more question.

MR. KENT: And so, yes. Go ahead.

COUNCILMEMBER LEE: Okay. So, I'm not sure if you mentioned it or somebody else mentioned it, but I--something about long-term deed restrictions, like 20 or 30 years, essentially are occupied...the homes are occupied by renters because you...you know, there's not much you can do with your property. And so, if you stay the whole length of time, you're essentially a renter.

MR. KENT: Right.

COUNCILMEMBER LEE: Did you say that?

MR. KENT: Well, it...it sort of begs the question, if the value of home ownership is so dissipated by these deed restrictions, then why not just build public rental housing instead? So, yeah.

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COUNCILMEMBER LEE: Thank you.

CHAIR KAMA: Thank you, Chair. We're going to continue now with Member Sugimura.

COUNCILMEMBER SUGIMURA: Thank you. I really appreciate this discussion. It's very interesting. And I wonder if we could hear the ending of whatever Mr. Wang was discussing with your PowerPoint presentation? Housing Hawai'i Future?

CHAIR KAMA: Future.

MR. WANG: Yeah, sure. Give me one second. I...I'll just start off by apologizing for bleeding into my...my co-resources time. And really, I'm down to my last two slides. The...the...the main point here, the...although these three bills deal with time, time coexists with the restriction. As you get more restrictive, each additional restriction adds more cost...not just to the developer, but to the end homebuyer. And it goes back to some of the other testimony that was made--does the homebuyer, does the local resident, see value? Really, they're comparing that versus market-priced housing, which carries no restrictions, and also, the option of moving to the mainland, which if we are not as good of a value there, this is why folks decide the mainland is a better option than staying here. So, this is a sliding scale. You can...I think at the current rate that we're at, we are pretty restricted as far as the amount of restrictions that are placed on it. Of course, you could place on more, but the question is, if you start sliding the time scale further towards a longer time period, the effects isn't something we have to guess at. Mr. Rasmussen had pointed this out. If you look at the three condos on the far right, these condos kind of spell out the effects. So, some of these are 10-year restrictions, some of them were 30-year restrictions, in addition to some of that equity-sharing and very similar to the...the Maui County affordable housing restrictions. But here's the actual effects of...of what's happened with these three buildings. So, 803 Waimanu, they started sales in 2019, completed in 2021, 79 were affordable housing. Over 50 are still available, so have been sitting empty for four years. The Park at Ke'eaumoku started sales at 2021, still under construction. They had 146 affordable units. . . .(timer sounds). . . .(inaudible). . . of sales still have over 90 available. Sky Ala Moana, completed in 2023, sev...out of the 84 that started, 70 still available. So, you know, the...the tough thing is, we're trying to create housing that people will...will go...will actually occupy, but I think it comes down to, we could go further along on the time scale...the question is, you can...you have to balance that with the restriction scale. And --

COUNCILMEMBER SUGIMURA: Thank you.

MR. WANG: -- you know, if you can accomplish what we're trying to accomplish, get local residents into housing with two restrictions instead of six, why are we placing six, right? That's, I think, essentially the...the --

COUNCILMEMBER SUGIMURA: The message.

MR. WANG: -- the point of that. Yeah.

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COUNCILMEMBER SUGIMURA: Thank you. Thank you for your PowerPoint that you're going to send to us.

CHAIR KAMA: Thank you.

MR. WANG: Yeah.

CHAIR KAMA: Okay. So, now, we're going to continue with Member Paltin.

COUNCILMEMBER PALTIN: Thank you. I seen Mr. Windell raise his hand. I...I'd like to hear what he was going to say.

MR. WINDELL: Thanks, Member Paltin. I...I--yeah. A...a couple of thoughts in response, primarily to the...the statement that, you know, in the 30-year timeline, folks that live in deed-restricted homes are effectively renters. I...I'd really challenge that, and I've got some...I...I did some math . . .*(laughing)*. . . associated with the existing policy and the way the...the resale restriction is done. So, what's affordable today to a household making 100 percent of AMI is 400 and...a \$420,000 house, let's say. Based upon the...the resale formula, that 25 percent of the...the equity growth that goes to the homeowner, and then looking at what the housing market in Maui has done over the last 20 years, on average, it's increased somewhere around 7 to 9 percent year-over-year. In the last five years, it's increased 11 percent year-over-year. Notable that wages have increased somewhere in the 2 to 3 percent range, so again, a 3 to 4 percent spread between how wages are increasing and housing is increasing. And that's actually evidenced here, right? So, the yellow line is what the median home price has done, and the...the orange or the...the brown is what a household making 100 percent of AMI or 110,000 can afford. And that...that spread is only increasing. You know, you might say, well...well, let's wait for the market to correct itself, but--you know, like it did in 2008 to 2012--but even then, where there was a very serious structural problem with our housing market that I don't think we have today, we're now more than double what the pre-correction price was. So, again, market failure, right? But I think, again, the third rail is that someone who earns 100 percent AMI can afford a house that's \$420,000. If you take a 6 percent on average-market increase year-over-year, which is a pretty conservative estimate, then if that homeowner sells in 2030, they've got \$60,000 of equity in their pocket; if they sell in 2035, they walk away with \$143,000 in equity; and if they sell in 2040, they walk away with \$256,000 in equity. And at the same time, that home, in 2040, is still affordable to the next household at \$566,000. So, I think that we often have this false dichotomy that it's like, no one's going to buy it because it's deed restricted. I think, of course, someone's going to want a ten-year deed restriction because if they live there for ten years, they get more than double this in equity, right? But then that home goes away. It's no longer affordable to the next one, two, ten households to...to...that...that--to...to live there. So, I think...I...I think that...that we're conflating a few things. One is, are the developers making . . .*(timer sounds)*. . . money? The other is...is, is owning a deed-restricted home good for the owner? And I think I can show here that it is good for the owner. And then...and then the third thing that we've talked about is, whether or not they can sell? And I think

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oftentimes, they...homes sit empty because they're not priced accordingly. It's set up for failure. They're priced too high for the income brackets they're targeting. Perhaps they're steered towards lenders that are not friendly towards renting on deed-restricted properties, although Fannie Mae and Freddie Mac both have secondary market conventional mortgages. So, I think in those...in those three areas, I would say, you know, the...the--in terms of good for the owner, it's clear that equity is built. Sitting empty, that's a pricing...pricing problem that I think is...is...is easily solvable, as Aspen, Vale, Crested Butte, Breckenridge, my hometown . . . *(inaudible)*. . . we figured that out. And then third, on the developer's side, I would say, open your books up and show us how you're struggling, right, as a developer. And then maybe there's a conversation around, does subsidy need to be brought to the table, even on those less-than-100-percent-affordable projects. And I think that conversation can be had, but when the developers' books are a black box, and we hear them come to meetings and say, I'm losing my shirt on this, but they can't show us any numbers, that's a difficult problem to solve. We become sort of stuck in an impasse.

COUNCILMEMBER PALTIN: Chair, can we request the slides be sent to the Committee --

CHAIR KAMA: Yes.

COUNCILMEMBER PALTIN: -- on that as well?

CHAIR KAMA: Yes. So, could you please send your slides, Mr. Windell?

COUNCILMEMBER PALTIN: Thank you, Mr. Windell.

MR. WINDELL: I'd be happy to.

CHAIR KAMA: If you're willing to?

MR. WINDELL: Yeah. Thank you.

CHAIR KAMA: Thank you. Let's continue on with Mr. Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. I'm going to address Dr. Tyndall's opening remarks, but if anybody wants to jump in after he responds, I'm all ears. One of the things you mentioned, Dr. Tyndall, is we're the most restrictive in the nation in Maui County in that we don't...developers aren't penciling it out, and thereby not...not building because they're not penciling out. But, I mean, correct me if I'm wrong...before I got on this Council, and before many of my colleagues got on this Council, the County was only giving these builders of affordable housing 2 and \$3 million, very small pots of money, whereas now, I mean, you can go down the list of some of the large--you know, \$20 million, \$30 million, we've been putting in the pots for these builders. So, are you...when you say it doesn't pencil out for builders, is it because it's just we need...they have those large chunks of money, or is it--like just Mr. Windell was saying, we don't know exactly what they...why it's not penciling out for them. Can you...can you speak on that, Dr. Tyndall?

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MR. TYNDALL: Sure. So, I mean, I think...like this is the case in all the counties in Hawai'i, I think we have very restrictive rules in terms of, you know, height and density, multiple years waiting for permits in a lot of cases. Like, these are things developers point to as being very costly. So, you know, the counties, on the one hand, are making it very expensive to build new housing, but then as you...as you mentioned, on the other hand, you know, we're using general tax revenue to then make lots of money to subsidize it so the developers can then sort of overcome the barriers we've...we've put up for them. So, I think...you know, I'm actually very optimistic, State level and County level, for affordable housing programs. These...obviously like a huge political appetite and money being directed to it. But I would...I would point out that, you know...you know, our building costs are, you know, 20 to 30 percent higher than the mainland, you know, labor costs similar, but, you know, for some reason, our housing is three times as expensive, right? So, you know, there's something that's beyond land and...and labor and construction costs that's making housing, you know, very hard to build, and, you know, I'd argue it's because we have very low housing supply, and we just don't build much housing. And when we, you know, did some research and talked to developers, you know, it's these sort of intangible regulations, the...the wait times, the court litigation risks, the delays from...from permitting, and...and things like this...infrastructure costs and affordable housing requirements.

COUNCILMEMBER JOHNSON: Well, I...I know this body's willing to invest to bring the prices down for our...for our folks, right? We also changed the calculation on how--the pricing of the house because of the subsidies. So, we...I think we've tried to do a lot of work to...to meet the builders where they...they're at...but again, dealing with Federal HUD guidelines, they tell me every year I'm making \$4,000 more every year, but most people aren't making that money every year, it's just the wealthy people are moving here, changing our HUD guidelines--or...or skewing our HUD...HUD numbers. . . .(timer sounds). . . . I...I think this body is willing to help the builders and--by...by buying down and by putting our Affordable Housing Fund into the pot to help the buy-down, but I just...you know, my time's up. Maybe I'll do second round. I...I'm curious to what you folks think. Because we keep...we--it's like we're--they keep telling us it's...you know, it's too expensive, and these are the prices, and we keep putting more money into the pot to meet the folks where they're at. The wages, you know--I...I'm almost done--the school...I used to be a schoolteacher before this, and I would work five days as a schoolteacher and make the same as working two days as a bellman in a hotel. We're trying to...we're trying to help our teachers, and they're just...wages aren't keeping up, you know? So, anyways, I--my time's up. I'll go...I'll...we'll come around for next round. Thank you, Chair.

CHAIR KAMA: Thank you. Now, we're going to continue with Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. My first question--and mahalo to all of our resource people for being here today and, you know, discussing this really important matter with all of us.

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CHAIR KAMA: Keani? Keani, may I interrupt you for a moment? Member U‘u-Hodgins --

COUNCILMEMBER RAWLINS-FERNANDEZ: Sure.

CHAIR KAMA: -- just sat at her desk, and I wanted to acknowledge her presence here. Okay. Thank you. So, good morning, Ms. U‘u-Hodgins. It's good to see you.

VICE-CHAIR U‘U-HODGINS: Thank you, Chair.

CHAIR KAMA: Our morning greeting for the day is aloha mai kākou.

VICE-CHAIR U‘U-HODGINS: Perfect. Aloha mai kākou. I apologize for my tardiness. I just came from the DHHL meeting, so thank you so much. And I missed your guys' presentation, but I'll go look through it. Thank you so much, Chair.

CHAIR KAMA: Okay. Thank you. Okay. Ms. Keani Rawlins-Fernandez, please continue. Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. And before the timer starts, I forgot I have to provide my Sunshine Law disclaimer, which is I am alone here on my side of the office at the District Office. Oh, I see Member Sinenci also just jumped on, if you would like to acknowledge him.

CHAIR KAMA: Yes, I would. We're so sorry to interrupt you. So, we want to say good morning and aloha mai kākou to Member Shane Sinenci. Good morning. I think you're muted.

COUNCILMEMBER SINENCI: Aloha mai kākou, my Maui Hikina. E kala mai ia‘u. We had a family funeral this morning, so I apologize to Member U‘u-Hodgins. I was supposed to be in her meeting. But I'm here at the Hāna District Office, and with Staff members Don Atay and Dawn Lono. Thank you.

CHAIR KAMA: Thank you and welcome. All right. For real, Member Keani Rawlins-Fernandez, you're on.

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(laughing)*. . . For real, real this time. So, my question is for Mr. Windell, his thoughts on--I...I asked this at our other...at our previous meeting--and others are welcome to opine on this question as well. What percentage of housing inventory should be shielded from the investor market, and, you know, whether it's like a secondary market or a parallel market, whatever folks call it, whether it's in...has deed restrictions, whether it's in a housing trust, you know, other mechanisms to maintain some kind of inventory? Our Housing Director in our last meeting didn't think it was a percentage, and I...I...I don't want to misquote him, but it had...he...he thought it was about whether we're meeting demand for residential-use purposes. So, Mr. Windell, your thought on how to ensure our residents have housing.

MR. WINDELL: Yeah, that's a great question. It's a hard question to answer, for sure. I think, you know, maybe there's two ways to get to that, the core of the question--which is like

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how much housing is necessary to...to preserve community and socioeconomic diversity, and make sure that folks have opportunity in housing, I think is kind of the core of the question--and then it's...the answer to that then, I think, becomes...you know, maybe there's two ways to come at it. To your point, there's the what percentage of housing stock kind of creates a tipping point so to speak, and the other way to come at it would be how many folks in the community need access to housing that is attainable and affordable, and how much of that is homeownership? So, I think, you know, coming from the...the side of the percentage of...of housing stock, you know, I...I don't know of any research--and I'm looking at Dr. Tyndall here, maybe there's something out there--I'd love to see something that...that does look at percentage of...of...of units that maybe are shielded and lead to economic...you know, socioeconomic outcomes. I don't think it exists, but I can look at some anecdotal examples. So, if we look at Orcas Island in Northwest Washington, one of the...the--I call them the OGs, the original gangsters--of the community land trust model, about 10 percent of the housing stock on the island is protected, which has led to--I think 80 percent of the kids in their school district live in community land trust homes. You go into grocery store, and everybody that works in the grocery store lives in a community land trust home. And they have similar dynamics to...to Maui, where it's...again, it's super desirable for second homes, retirement location, the...the...the split between wages and home price is about the same, and...and I think folks on the island would say that their...their community has been forever . . . *(timer sounds)* . . . changed because they've reached some tipping point. So, I'll wrap quickly, I promise. I think there's other communities like Aspen, Crested Butte, Vale. Whistler is another example where they have been successful at securing a pretty significant portion of their housing stock, and they've looked at that is a portion of their workforce has access to housing. And they're up in the...the 50 to 70 percent of their housing stock is...is deed-restricted. So...so, I don't know. I--the...the number that floats around in my head is like 20 percent is probably a tipping point. In a number of the communities that I work in, that's kind of the...the anecdotal consensus. But as you said, it's...it's not as simple of a...of maybe not percentage of housing stock, maybe it's housing availability. So, yeah, that's my hot take. Thanks for the question.

CHAIR KAMA: Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Windell.

CHAIR KAMA: Okay. So, we're going to continue on with Mr. Cook.

COUNCILMEMBER COOK: Thank you, Chair. My question's pretty much for everybody, but I'm going to start with Dr. Tyndall. The difference...as far as being able to maintain local residents, owner-occupancy being a requirement as opposed to a deed restriction. Do you have a brief comment on that?

MR. TYNDALL: For sure, yeah. I was hoping to work this in at some point, so thanks for the ques...so, I think, you know, one really good benefit of deed restrictions is that it ensures that there'll be an owner-occupier, or a renter if it's written in that way, but usually an owner-occupier. You know, I think the big actual economic loss for locals is that some

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units are sitting empty and are...are being used by investors, right? So, we...we had done some research related to the Minatoya list recently, right? So, we were looking at parts of Maui that are apartment zoned but aren't part of the Minatoya list. You know, our estimate is about half of those units are...are sitting empty, right?

COUNCILMEMBER COOK: So --

MR. TYNDALL: So, they are second homeowners primarily.

COUNCILMEMBER COOK: Let me interrupt you because I don't have that much time.

MR. TYNDALL: Yes.

COUNCILMEMBER COOK: So, basically --

MR. TYNDALL: Sorry.

COUNCILMEMBER COOK: -- I'm asking as far as like for government policy, housing to be owner-occupied as a requirement of a subsidy or for a condition of...of entitlement as opposed to a deed restriction. Does it have...and I just wanted--like for everybody, I'm--kind of walk through. I'm...I'm strongly an advocate of preserving our local...and enhancing and expanding our local housing stock, and having our local residents have roots. I'm just curious if the owner-occupancy aspect of that carries weight, and doesn't have possibly some of the other financial ramifications. So, let me ask Mr. Wang. Did you hear the question?

MR. WANG: Yeah. I...I think the important thing to...to start the conversation off is understanding that we keep using the term deed restriction as a blanket term, but we're talking about very, very different types of deed restrictions. The...the type of deed restrictions that Mr. Windell has referenced in Vale in Colorado is very different than the deed restrictions that are in place on Maui, and O'ahu, and here in Hawai'i. And so, we can...we're really comparing apples and oranges. I think the con...I don't want to speak for Mr. Tyndall, but I think the confusion here is that oftentimes, deed restrictions are the vehicle to which owner-occupancy is enforced, but it doesn't necessarily have to be the only and main . . . *(timer sounds)*. . . . *(inaudible)*. . . of the deed restriction. By enforcing a owner-occupant type of deed restriction, you're really trying to make sure that...I think it...it includes homeownership as a benefit, but it really excludes a renter from any sort of help and subsidy that they may need. So, I fear that it doesn't encompass the entire market of local residents that need the assistance. That's kind of my take on --

COUNCILMEMBER COOK: Okay. Thank you. My time --

MR. WANG: -- on simply --

COUNCILMEMBER COOK: My time's up.

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MR. WANG: -- owner-occupancy portion.

COUNCILMEMBER COOK: Thank you.

MR. WANG: Yeah.

CHAIR KAMA: So, we're going to continue with Member --

COUNCILMEMBER RAWLINS-FERNANDEZ: Chair, Mr. Windell has his hand up.

CHAIR KAMA: Oh, I'm sorry. Mr. Windell?

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, mahalo, Chair.

CHAIR KAMA: Yes?

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah.

MR. WINDELL: Yeah, thanks. I...I'd like an opportunity to...to answer your question as well, Member Cook. I think, you know, to...to Mr. Wang's point, I think he makes a great point, that...that we need to be careful about our language here when we talk about a deed restriction, and make sure that we're talking about the specific things that the deed restriction requires and enforces, for sure. Although I'll challenge you, Mr. Wang. I...I've gone pretty deep in the deed restrictions in Vail and Crested Butte and otherwise, and...and actually, there's a lot of similarities between the specific requirements of Maui...Maui County's...you know, the...the...the appreciation cap, local...local...some AMI caps. Like, they're...they're actually very similar. The big difference is the duration, that in...in in those mountain towns in Colorado, they are perpetual rather than on a time frame that doesn't even encompass the average tenure of a homeowner across the U.S. And I think maybe two more things on...on the...the owner-occupant front, and I'll share my screen here quick. I think it's...it's important to remember that price...price is a really important element of this, right? It's like a median home price at 1.3 million, as I mentioned, like 10 to 12 percent of the population can afford that. I was looking at MLS sales in 2024. I think of the 1,000 home sales in 2024, like 80 of them were below \$600,000. So, there just isn't enough available for folks on this left side of the curve here. There's just...there just...there isn't available. So, I think that pricing element is really important. Certainly, we want full-time residents to live in these homes--because that's important--versus part-time and short... and short-term rentals, but the pricing element is something I don't think we can overlook. We have to --

COUNCILMEMBER LEE: Chair, his time has expired.

MR. WINDELL: We have to control that.

CHAIR KAMA: Thank you. Okay. So, we're going to continue with Member U'u-Hodgins. And Members, we're going to be here all day, so if you want to ask questions all day, if that's what it takes, we can do that. And I know we have a lot of resources today, so it's hard

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to...to get all of them to answer one of our questions in three minutes, so we might have to do that in a series. So, Member U'u-Hodgins?

VICE-CHAIR U'U-HODGINS: Thank you, Chair. My camera, I'm not able to turn that on. I don't know if maybe Staff can put that on for me. I did miss like everything --

CHAIR KAMA: Okay. You want to come back?

VICE-CHAIR U'U-HODGINS: -- in the last hour and a half, so I'm happy to be skipped right now --

CHAIR KAMA: Okay.

VICE-CHAIR U'U-HODGINS: -- since we're going to be here all day --

CHAIR KAMA: Yeah.

VICE-CHAIR U'U-HODGINS: -- and then take in what information I can, and then I'll ask some --

CHAIR KAMA: Okay.

VICE-CHAIR U'U-HODGINS: -- questions after. Thank you.

CHAIR KAMA: Okay. So, Member Sinenci, you just came on at the same time that...that Member U'u-Hodgins did. Would you like to pass for now --

COUNCILMEMBER SINENCI: Yeah.

CHAIR KAMA: -- and we can come back with you, or would you like to --

COUNCILMEMBER SINENCI: I just got...I...I can ask some general questions, Chair.

CHAIR KAMA: Okay.

COUNCILMEMBER SINENCI: Thank you.

CHAIR KAMA: Okay. Fine.

COUNCILMEMBER SINENCI: And mahalo...and mahalo, Chair, for having all of our resources here to answer our questions. So, I think that was our intent, was to have some of the...the industry folks to come and...and let...let us know what types of challenges and stuff that they are having for deed restrictions. It sounds like...and...and I guess the deed restrictions is because, shucks, our residents just cannot afford 7, \$800,000 homes. That's the basic fact. So...so, if...if we are going to provide some government subsidies--and maybe I can just throw it out there, anybody--it sounds like if they're building at \$600,000, and we want to at least try and bring down those costs for

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residents at...at least 400, 470,000, Mr. Windell said, would that mean that for legislatures and government subsidies, we would have to subsidize \$300,000 for each of those homes being built? Anybody --

MR. WINDELL: Yeah.

COUNCILMEMBER SINENCI: -- confirm that? Oh, Mr. Windell.

MR. WINDELL: Yeah. Maybe...maybe one thing I'll say, being effectively a developer of...of nonmarket housing, the way we think about that is like our construction subsidy. I don't love the term subsidy because it implies that it's a subsidy going to an individual, but we think about it like the...the cost to build the house...the difference between that cost to build and the affordable sales price, there is...just the reality is, there is a difference there, right? There is a subsidy necessary. And I think, you know, as I said, 100 percent AMI...so...so, half make more, half make less. That \$420,000 number is about the...the...the affordable sale price. So, if you figure a 1,500-square-foot home at \$300 a square foot, what is that, 300...that's \$450,000 to build, plus maybe some land. So, you're in the 100 to \$300,000 subsidy probably, which is about what we see in...in the mountain town that I work in...in Washington as well. So, yeah, that...that construction subsidy is often what needs to be brought to the table to fill that gap.

COUNCILMEMBER SINENCI: Oh, you also mentioned, Mr. Windell, that that subsidy could be going directly to the...the homeowner. We could do that as well?

MR. WINDELL: Well, I...I--the challenge is that...that I think...it requires a little bit of a thinking of, does the system work for an individual homeowner, or does it work for many homeowners? I think about it like, you know, a road system, you don't measure the success of a road network based upon the individual experience of one person driving on the road. You zoom out and you look at like is there enough--can people get around adequately? So, I think that subsidy really gets left behind in the home, right? It's...it's not associated with the . . .*(timer sounds)*. . . homeowner, it gets left in the home, which then means that the next turn, it remains affordable, and the next turn, it remains affordable.

COUNCILMEMBER SINENCI: Got it. Okay. Thank you for those responses. Thank you, Chair.

MR. WINDELL: Good question.

CHAIR KAMA: You're welcome. So, we're going to go to another round of questions. I'm going to start with Chair Lee.

COUNCILMEMBER LEE: I have a question for Mr. Tyndall, and also Mr. Kent again. I just wanted to check. I noticed...I appreciate your answers because they're not anecdotal, and so can you give...or Dr. Tyndall, your source of information? Is it from surveys, is it from studies that you've done?

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MR. TYNDALL: So, generally, you know, UHERO puts out this fact book every year of housing statistics where we look at, you know, market trends, prices and rents, and affordability metrics. You know, we...we partnered with the counties, including Maui, you know, to get information on permits and other, you know, data points on housing production. We've, you know, done some survey work ourselves, you know, mostly around the fire recovery in Maui. A big part of that was housing affordability that, you know, gave us some information on people's response to the fire, but also general, you know, just...I think --

COUNCILMEMBER LEE: Okay.

MR. TYNDALL: -- confirming something we all know, what an enormous challenge housing affordability is, and that's top of mind for so many people.

COUNCILMEMBER LEE: Thank you. Mr. Kent?

MR. KENT: Yeah. I would highly recommend that this Committee, again, check out that Grounded Solutions Network nationally. They are obsessed with this deed restriction topic. They've written several reports, they've got multivariate data, and they even have a really useful calculator so that you can calculate what it would cost to build a home. You take the interest rate, you take the...the cost per square foot, the...you know, the...the buyer demand, the AMI, you can plug it all into the formula, and you see if it pencils out to a profit or a net loss. And, you know, no matter how hard I try on Maui, I cannot make barely a profit, and especially if I add in the affordable...heavy affordable housing requirements beyond what you already have, so...

COUNCILMEMBER LEE: And you're taking into consideration the time it takes? We...we probably hold the record on the length of time it takes to get a building permit or other approvals.

MR. KENT: Oh, yes. Yes. And --

COUNCILMEMBER LEE: I mean --

MR. KENT: Yeah.

COUNCILMEMBER LEE: -- the Council is very expeditious, but the rest of the Council...County is not. Thank you.

CHAIR KAMA: Okay. We're going to continue with Member Yuki Lei Sugimura.

COUNCILMEMBER SUGIMURA: Thank you, Chair. What a great discussion. So interesting, right? And all the people that we read about, they're here, so thank you for gathering the resources. What I--one of the things that I think--and all of you, I would to hear, or whoever wants to answer this, but I'm looking at the First Time Home Buyer's Program, and we now provide \$30,000, which I think has been there...has been that for as long

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as I've been on this...in this Council. Do you have an opinion of what is reality and maybe what it should be? Yeah.

MS. GRIFFITHS: So, I have been working actually with the program that was introduced, and I believe HCA was given the opportunity to take \$2 million and utilize at the AMI of 200,000 for down payment, closing costs, buy-down interest rate. I have six of them that fell into that category and has been awarded the eligibility, but the problem was, was only on Moloka'i, the sales price guideline that Maui County set was much too low for Maui Island and Lāna'i. But I realized Moloka'i--which is great because our Moloka'i families are being afforded a \$200,000 down payment. We're getting them into housing, families that would be literally on the street next year. Honestly, a retired couple is getting one, and they're paying \$100,000. And the 200,000 deferred mortgage payment that the County put it, which is a great program, but we got to kind of figure out how we can do it for Maui Island as well. I want to really quickly answer Councilman Sinenci's question. He talked about--and you folks talking about the 30,000--I actually presented to DHHL with regards to the Pu'uhona problems that we're having there. The price of the homes are varying from 411 for a two-bedroom, there's only 30 three-bedrooms, and it jumps from 509 to 699. It's a huge jump. Six houses in Phase I couldn't get awarded because people could not qualify. Mind you, they're not paying for the land, this is just the cost of the house. So, I recommended that instead of giving the developer the...or the builder 30,000 to reduce the cost--so, let's take an example of 500,000--you're going to reduce it by 30,000 so the home buyer would get a \$470,000 house, except at an interest rate that at a time that I presented with 6-3/4, which would save the buyer \$194 a month, which...that's really helpful. That's a lot of money. Over the term of the loan, it would be...3 to 16 months, would save 70,000. So, I recommended that they give it to the beneficiary, the homeowner...give them the 30,000. Keep the sales price at 500,000. What we did with that is, we split it up. We took the...the money of the 30,000, and we broke it down, we put enough money for the down payment. . . .(timer sounds). . . We put money for buying down the closing costs and the interest rate. Bottom line is, they got the interest rate down to 5-3/4, therefore saving \$285 a month, 110,000 over the course of the time. So, if that 30,000 can be utilized properly for our homeowners, terrific. It's just that our sales prices are too high. So, I think the last round of 30,000, a lot of people didn't use the grant. I did one grant for the 30,000, and it was a mother that got into Harbor Lights, and that was it.

COUNCILMEMBER SUGIMURA: Wow.

MS. GRIFFITHS: Yeah. There was a lot of people, but our prices were too high. Thank you.

COUNCILMEMBER SUGIMURA: Wow.

CHAIR KAMA: So, Members, it is now 10:32. Would you like to take your ten-minute morning break now, and then we'll come back at 10:42? Or Member Paltin, do you have to leave?

COUNCILMEMBER PALTIN: Sure, sure.

CHAIR KAMA: Okay.

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COUNCILMEMBER PALTIN: I just wanted to make sure that Ms. Paleka was coming back because that was going to be for my next question.

CHAIR KAMA: Okay. Ms. Paleka, are you able to come back after our break? Yes?

MS. PALEKA: Yes, absolutely.

CHAIR KAMA: Thank you. Thank you.

COUNCILMEMBER LEE: Chair?

CHAIR KAMA: Okay. Yes?

COUNCILMEMBER LEE: I have to leave for an 11...an 11:00 meeting. So, what are you going to cover from 11 to...to 12?

CHAIR KAMA: Probably still questioning.

COUNCILMEMBER LEE: Just continue?

CHAIR KAMA: Yeah. Still questions.

COUNCILMEMBER LEE: And then after lunch, what?

CHAIR KAMA: Well, hopefully, if all the questions--then we'll go into discussion about all that we've heard.

COUNCILMEMBER LEE: Oh, okay. All right.

CHAIR KAMA: Hopefully, but --

COUNCILMEMBER LEE: I have to...I'm asking to be excused.

CHAIR KAMA: But your questions are hard and your--the responses are lengthy.

COUNCILMEMBER LEE: . . .*(laughing)*. . .

CHAIR KAMA: So, I just want you to consider that. Yes?

COUNCILMEMBER PALTIN: I'm supposed to meet with DHHL at 12:00.

CHAIR KAMA: Well, we'll take our lunch break at 12.

COUNCILMEMBER PALTIN: Okay.

CHAIR KAMA: Are you meeting here, or do you have to drive off-site?

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COUNCILMEMBER PALTIN: I got to look.

CHAIR KAMA: Oh, okay. That's okay. All right. Just to make sure if you had time to go to where you needed to go. Okay. Very good. Okay. So --

COUNCILMEMBER JOHNSON: And Chair?

CHAIR KAMA: Yes? I heard someone.

COUNCILMEMBER JOHNSON: Myself and Councilmember Rawlins-Fernandez also have an 11:00 a.m. DHHL meeting.

CHAIR KAMA: Okay. So, I--as long as we have quorum, I think we'll be fine, right? So, if you all got to go at 11...you got to go at 11, Alice, and so do you, right? Yes, Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Correct. So, you know, the folks requesting the meeting that we're all saying that we have a meeting with, that Member U'u-Hodgins was late to the meeting because of, this...this was all scheduled before this special Committee meeting --

CHAIR KAMA: Um-hum.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- was scheduled, which is why we all agreed to the meeting, but we wanted--this is an important discussion.

CHAIR KAMA: Um-hum.

COUNCILMEMBER RAWLINS-FERNANDEZ: I don't know if Member Johnson, we want to try to like reschedule or something, since it's virtual anyway. But during this recess, I'll...I'll try to contact them and see if we can reschedule. Because I don't want this meeting and the discussion to continue, and I not have an opportunity to ask further questions and hear the discussion. Mahalo, Chair.

CHAIR KAMA: Okay. But neither do I not want you to attend the meeting. But can't you multitask like Member Paltin? She's in two meetings at once. No, no. . . .(laughing). . .

COUNCILMEMBER RAWLINS-FERNANDEZ: I absolutely can.

COUNCILMEMBER PALTIN: Do you want us to --

COUNCILMEMBER RAWLINS-FERNANDEZ: Because mine is virtual, so I can have...I can have another computer set up, and then be in both meetings at the same time.

CHAIR KAMA: Okay. I was only kidding. I don't want you to work so hard.

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COUNCILMEMBER PALTIN: You want to take the recess at 11?

COUNCILMEMBER RAWLINS-FERNANDEZ: I wasn't kidding.

CHAIR KAMA: I don't know...I don't know if that would --

COUNCILMEMBER PALTIN: Help?

CHAIR KAMA: Yeah, because the meeting's usually an hour long, right, with the Department?

COUNCILMEMBER RAWLINS-FERNANDEZ: I don't want to recess at 11.

CHAIR KAMA: Okay.

COUNCILMEMBER PALTIN: Okay.

CHAIR KAMA: Okay. So --

COUNCILMEMBER LEE: We also have to think about our resource people.

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: I'm sure they have busy lives. . . *(laughing)* . . .

CHAIR KAMA: Yeah. Okay. So, why don't we take our ten-minute break, and let's do what we can do in ten minutes. It is now 10:35. We're going to recess until 10:45, and let's try to see if we can work out what we need to work out. But as long as we have quorum, we're fine, okay? Okay. HLU is now in recess. . . *(gavel)* . . .

RECESS: 10:35 a.m.

RECONVENE: 10:50 a.m.

CHAIR KAMA: . . . *(gavel)* . . . The HLU Committee will now reconvene at 10:50 a.m. And I think we left off with Member Paltin asking questions. And Ms. Sugimura just told me she has a dental appointment at 11:30, and so we have a couple of people going to an 11:00 meeting, which we'll...but we'll see where we land at 11:00. If they need to go and do what they got to do, we'll still have quorum. Okay. And our resources are all still here with us. So, Member...we have quorum. I see Gabe and I see Member Sinenci online, so we have five in the Chamber and two online that I can see. Okay. Member Paltin, please.

COUNCILMEMBER PALTIN: Thank you, Chair. My question is for Ms. Paleka, and it's about what...if...if you can--you know, Mr. Arrasmith was talking about temporal and nontemporal deed restrictions. I was wondering if you could share with us, if you know, what makes underwriters to be cautious when lending, and if there's things that can be done to increase the flexibility in buy-back restrictions?

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MS. PALEKA: So, yes. So, what underwriters care about is exactly what the guidelines state for which product they're financing. So, if it's FHA, or Fannie Mae, or Freddie Mac, or VA, or USDA, that is what they have to go off of. It's the bible, the handbook and the guidelines. And the guidelines do state for FHA that deed restrictions are allowable, and I...I...I was frantically searching while--during this meeting so that I could send everybody the exact area of the handbook for them. I'm going to continue, but I want you folks to see directly from the GSE--which is Fannie, Freddie, FHA--I want you folks to be able to see with your own eyes directly what it is that I, Misty, and all underwriters look at when it comes to the guidelines because that is how we're allowed to lend. And it is allowable, these deed restrictions. And I encourage everyone to please go look at what Cindy Christensen of Aspen sent in because they're the model. Like that...she already has been doing this. All of their restrictions now are in perpetuity--not 10 years, not 20 years--perpetuity. And she is financing. They are--not her, but they are getting FHA financing. Me and her have been corresponding, as she's in her meetings today during this meeting. So, please go back and read her...her letter back to you folks.

COUNCILMEMBER PALTIN: Thank you, Ms. Paleka. And my next question would be for Mr. Windell. You know, if someone was to have to sell before their deed restriction is up, I was wondering if you had any suggestions for flexibility, like opening it up to all the AMI categories possibly, if...if that would be...be something that would be beneficial.

MR. WINDELL: Let me see if I understand the...the question. So, the question is, if...if someone is still under the deed-restriction period, and they're looking to resell...*(timer sounds)*... what it would look like to open that up to other AMI brackets? Yeah, I think...I think it's a question of...of pricing and making sure that the home continues to be affordable at those different AMI brackets. The...the sort of complicating factor is if you...if you have a home that's affordable to someone who makes 100 percent AMI, and then you sell it at a price that's affordable for someone who makes 140 percent of AMI, and then if it resells to somebody who makes 80 percent of AMI, you have to kind of refill that bucket. So, I think that there's definitely ways...actually, in the Methow Housing Trust, we develop policies to make sure that those...those different proceeds are reserved so that you can have that flexibility to serve multiple AMIs. So, there's definitely solutions, it just requires an intentional pricing policy in order to accomplish that, but it's definitely doable.

COUNCILMEMBER PALTIN: Thank you.

CHAIR KAMA: I see Ms. Paleka's hand's raised. Did you want to respond to Member Paltin's question?

MS. PALEKA: Well, if you can hear me. I'm sorry, I don't know for sure. But I forgot to add to what I was finishing, that Cindy Christensen in Aspen did acknowledge that their appreciation is at 3 percent, and they're considering 4 percent, and that it's based on 3 percent or Consumer Price Index, whichever is less per year. And she just confirmed--I got the email--that they absolutely are financing within the FHA product. I want to get more in detail with her with that so I can report back to you folks.

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CHAIR KAMA: Thank you.

COUNCILMEMBER PALTIN: Thank you.

CHAIR KAMA: Thank you, Member Paltin. So, we're going to continue with Member Johnson before he has to leave.

COUNCILMEMBER JOHNSON: Okay. Thank you, Chair, and you're right, I do have to leave at 11:00, so I couldn't be on that --

CHAIR KAMA: Go ahead.

COUNCILMEMBER JOHNSON: -- three-minute clock, but this question's for Miss...Ms. Paleka. You know, in your opening remarks, you mentioned the mental health of buyers, and how important it is for folks to have a house. Has that ever come across your desk, where someone said, oh, a deed restriction, I will not...I will not buy this house? Because...I...I'm curious on that.

MS. PALEKA: No. I...never have I heard that. Absolutely not. What people who come into my office--and that I've been doing this 34 years, owning my company 24 of them--they just need a roof over their head. You know, affordability, and we...and I've been there. I've been homeless with a brand-new baby. I know what it feels like. So, they don't care about that.

COUNCILMEMBER JOHNSON: Because the counterpoint, a lot of people say, is when it's...when you're up in the 140 AMIs, when you're just under the market rate, that those are so hard to sell. But you're saying, in your experience, those folks, they'll take it because they can't even afford market rate, right? Is that--or what is the back...what's the reasoning?

MS. PALEKA: I--there is no reasoning. It's them being able to get picked for it.

COUNCILMEMBER JOHNSON: . . .(laughing) . . .

MS. PALEKA: And I will say I'd like . . .(inaudible) . . . for the...the properties on O'ahu, I tried to get my own child to be able to get one of those deed-restricted apartments in Kaka'ako if they would answer their phone and not get hung up on. And I have sent in his application. I walked there. Their doors were locked. Three times. So, that might be why they have a problem having people apply.

COUNCILMEMBER JOHNSON: Now, the way...the method is, is if they don't sell that unit, they can take it up to a higher AMI bracket, right? So, it's kind of in their best interest to say, oh, the struggle is real, now all of a sudden we can sell it at market. Okay. Thank you for that.

MS. PALEKA: . . .(inaudible) . . .

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COUNCILMEMBER JOHNSON: And my time's up, but I appreciate you. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Johnson. So, let's go on to Ms. Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. I'll dovetail off of Member Johnson's questions, and for Ms. Paleka as well. So, earlier, Mr. Kent said, why not just build the rentals? And one of the benefits of having for-sale homes with deed restrictions is the opportunity to build some equity. It's...it's a managed appreciation, as we were just talking about. But when...when selling, they get, you know, shared equity and not, like, zero equity if they were renting. Member Johnson, you know, mentioned the 140 AMI is close to market, and that may have been more true years ago, but now the 140 AMI, it seems to be...it--well, it's much farther...much less than what market is now. And so, in the previous meeting, you know, folks have told us that deed restrictions prevent lenders from lending to folks buying properties that have...that have the deed restrictions. And so, since you are a lender, I'm hoping that, you know, I can ask you that question, and you can provide feedback on, you know, if...what your take is on that.

MS. PALEKA: Well...and I...I believe that Misty could also chime in, too, but there's no question. I...I was a part of helping in the beginning of creating the deed restrictions. I did extensive homework to the point of speaking to the assets risk manager of FHA in Washington D.C. Absolutely, you can lend over these restrictions. So, it's just mind-boggling to me that it continues, just this conversation keeps being brought up as if you cannot. Again, it's already happening across our nation. We're not creating something that hasn't been going on. So, I can't...I'm not buying that.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Ms. Paleka. And I did meet with Housing Hawai'i's Future yesterday, Perry and Mr. Wang, and I see that he's gone. Arrasmith? Is that how you say your last name?

MR. ARRASMITH: Yes. It's not --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

MR. ARRASMITH: -- like...it's not like the band.

CHAIR KAMA: . . .*(laughing)*. . .

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, Arrowsmith. Okay. . . .*(laughing)*. . .

MR. ARRASMITH: . . .*(inaudible)*. . .

COUNCILMEMBER RAWLINS-FERNANDEZ: And...and...and we talked about--and I'm sorry. I...I'm saying deed restrictions, and I intentionally mean all the deed restrictions, but I know Mr. Wang was talking about speaking about them separately. And we talked about deed restrictions . . .*(timer sounds)*. . . being...especially owner-occupied deed

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restrictions, being in perpetuity. I was hoping that Mr. Arrasmith, you...you...you could share some of what we talked about yesterday in our meeting.

MR. ARRASMITH: Sure, just with regards to the feasibility of owner-occupied deed restrictions?

COUNCILMEMBER RAWLINS-FERNANDEZ: In perpetuity, and that --

MR. ARRASMITH: Sure.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- and...and your folks' position on that.

MR. ARRASMITH: Sure. And just to foreground, Member Rawlins-Fernandez and Members of the Committee, we were also discussing State legislation, which is presently being discussed, House Bill 739 and House Bill 740, and those bills, I know, have received the attention of some Members of this Committee. But those bills look to model...or look to create a Statewide deed-restriction program that's based off of the Vail, Colorado model. And I think in that vein, we certainly do believe that owner-occupied deed restrictions could be feasible, especially if the counties are able to stand up an owner-occupied deed restriction program that guarantees that certain housing units will remain...will remain within, what I guess we would call a residents-only housing market, in perpetuity. And the idea there, too, is the counties, alongside the State, would purchase a deed restriction on the property, and then they would collect what we'd call the speculative value of a housing unit that, if left into the national and international market, would probably increase in such a manner to where it would be inaccessible to people in Maui County.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Arrasmith. Mahalo, Chair.

CHAIR KAMA: You're welcome. So, let's continue with Mr. Cook.

COUNCILMEMBER COOK: Thank you, Chair. My question's for Mr. Arrasmith. You had mentioned the examples that you showed and some of the units that were being hard to sell, but you mentioned this--I believe it was your presentation--the very small size of the units?

MR. ARRASMITH: Yes.

COUNCILMEMBER COOK: Was that your presentation?

MR. ARRASMITH: Yes.

COUNCILMEMBER COOK: Trying to downsize to make it fit economically...anyway --

MR. ARRASMITH: Um-hum.

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COUNCILMEMBER COOK: As a builder, I don't...I don't like that. But is that part of the problem of selling them? Because they're created...the product--there's two different issues. One is the deed restriction, but the other aspect of it is, it's a product that isn't necessarily very desirable for...for the wider variety of the market.

MR. ARRASMITH: Yes. Yes, Member Cook. That's...that's a critical part of the problem, not just on O'ahu, but I'd say Statewide in terms of developers trying to figure out how to make projects pencil. And...and that certainly has to be part of the discussion about financing the construction of units that could come under deed restrictions in the long term.

COUNCILMEMBER COOK: Thank you. Mr. Kent, you know, price...price of construction. Do you have any...I mean, we have...we recognize that Maui has an exceptionally high construction price, and it...I think it was commented that also, Maui is also one of the toughest places to get permitting and...and land use. Could you kind of...high level, briefly kind of sketch from your perspective and experience what those barriers are?

MR. KENT: Well, I...I'm sure that you've all heard those barriers. There's many layers of housing regulation, Hawai'i has the most layers. And they did a study at UHERO--I don't know if Justin is still here--but they cataloged that by state. They also cataloged it by county, too, and Maui County's, I think, in the top ten. And so, yes, it's very restrictive. Now, with respect to the cost per square foot, there are ways to bring down that cost per square foot, actually. One is, you could subsidize the product...projects with taxpayer dollars perhaps, but the other is to reduce regulations. We've heard about trying to entitle...try to preemptively zone areas on Maui, and that would be almost like watering a garden and then watching it grow spontaneously. So, obviously, I'm more partial for that second option of just reducing regulations. But another way to build cheaply is kind of what Peter Savio did...does...he described. His projects typically on O'ahu take . . .(timer sounds). . . two acres of land and put one home on it. So, if you put--take two acres of land and put one home on it, you don't have to get all of these...these approvals because that's allowed in the Ag District, sure, but is that really what's wanted on Maui?

COUNCILMEMBER COOK: Thank you for your answer. No, that was done too often in the past, and now they're called gentleman estates. Thanks.

CHAIR KAMA: Okay. Member U'u-Hodgins, are you ready?

VICE-CHAIR U'U-HODGINS: I think so. Lucky for me, my fellow Councilmembers have asked really good questions that maybe I could dovetail off of. But I think Maui--well, not I think--Maui County has other restrictions that are not just deed restrictions that sometimes might impact somebody's ability to be able to qualify for a mortgage or financing, not just the construction of, but the purchasing of the homes. And I'm wondering if I could get maybe your perspective, or maybe Ms. Paleka's...Mrs. Paleka's perspective on what else might be impacting people's ability to finance a home. Thank you.

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MS. GRIFFITHS: Okay. So, I do...I do have some experience with the issues with the shared appreciation. I know Paleka...Tera had mentioned in Aspen that they're doing it in perpetuity, and they're getting the FHA loans. I just want to tell you the Maui County policy, that shared appreciation is clear. It's part of the deed restriction. It is a 25 percent shared appreciation. So, again, I'm going to go back to FHA. I'm reading the actual in accordance with 24 CFR §203.401, FHA considers a reasonable share of appreciation to be at least 50 percent. HUD does not object to affordable housing programs whereby the homeowner of shared appreciation is on a sliding scale beginning at zero, provided that within two years, the homeowner would be permitted to retain 50 percent of the appreciation. So, if we're going to do something in perpetuity, maybe that shared-appreciation clause of 25 percent, or however they're doing it in Aspen and it's been successful, maybe we need to look at that carefully. Because you're not going to get an FHA approval. And for first-time home buyers, that is probably the easiest loan, besides a VA loan, to qualify with the debt-to-income ratio. That's the biggest issue that I face with our borrowers right now, is getting them to qualify. And I just want to point out, our condominiums on Maui--and Tera, you can...you can confirm this--I don't think there's any FHA-approved condos at this point in time, maybe one or two. And that's a really stark reality. We're not doing FHA loans on that. So, that puts that first-time homebuyer in the lower price-ranged condos to even purchase. Yeah. So, it's...it's...it's a lot. It's a big puzzle that we've got to figure out. But for lending, FHA has been the easiest to qualify. Yeah. There are...I will say, there are some programs with Fannie Mae, the affordable home loan product, that is similar to the FHA, which will allow this deed restriction. So, you can do that. Interest rates are higher, though, just saying.

VICE-CHAIR U'U-HODGINS: Yeah. Thank you so much for that. Right now, the bills that we are going to hopefully discuss soon is just specifically relating to deed restrictions, but as we know, it is such a multifaceted issue. . . .*(timer sounds)*. . . And so, I hope to not only focus on deed restrictions, although that is what is happening now, and we can hopefully figure out how we can make deed restrictions work by relaxing restrictions in other places. Chair, I know that my bell rang, but if I could get Ms. Paleka to answer that, I would appreciate it. Thank you.

CHAIR KAMA: Ms. Paleka?

MS. PALEKA: Yes. I . . .*(inaudible)*. . . and I do also want to add that I have the deed restrictions directly from Aspen, the most recent ones as of just like 30 minutes ago, so I can forward those also to you folks, too, so that everybody can see exactly how they're written. As far as getting folks to qualify right now, Misty is absolutely accurate. There's hardly any FHA-approved condominium complexes. I do a majority of the full approvals when I have to because I can, 100 percent. It's not hard, it's just a little time...lengthy. But what is happening, as we all know, insurance has gone through the roof for all of us, and that's why a lot of people are dumping their condominiums right now, because their HOA dues have increased significantly. Some--I have--actually, one of my assistants, her HOA fees are more than her actual mortgage payment right now, and she doesn't even have a swimming pool. So, it is a bait. There's that. But yes. In any event, yeah, it's all about, you know, being able to qualify, and having folks end up--a

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majority of the time, they hui together. Like, got to. Parents got to help their kids, and that's just the way it is, so...

VICE-CHAIR U‘U-HODGINS: Thank you. Thank you, Chair.

CHAIR KAMA: You're welcome. So, we're going to continue with Member Sinenci.

COUNCILMEMBER SINENCI: Mahalo, Chair. And I was--maybe wanted to ask a question of the...the mortgage lenders maybe, or anybody who wants to try it. You...you know, we are hearing from...maybe it was Mr. Rasmussen that mentioned that some of the deed-restricted homes are not being able to sell. And so, I'm curious if...if...you know, if we're using 50 percent market rates to pay for the affordable homes, can the...and...and I know that Member Johnson has...has created a residential list for the County to...to try and fill those...those affordable homes. So--but from the...the developers' side, are they...they're able to play with the market rates and...and those prices, correct?...where...whereas they can...I assume they are subsidizing the building of the affordable homes. So, why would they be so concerned? And if...if the County...if we're willing to purchase, you know, those few homes that are...that cannot sell and...and apply our residential lists for those potential buyers, my...my curiosity is, why is the developer so concerned about selling the affordable side, I guess? I see Ms. Paleka.

MS. PALEKA: You know, I have...and this is...this goes back to the old adage that happened a long time ago with Stanford Carr's Kealani project. My own sister, who worked for me at the time--now, again, I'm owning my company here--she 100 percent qualified for that. She had to go get a prequalification letter from their preferred lender. Of course, by law, they can't force you to use that preferred lender, but you have to go there. Ten times out of ten times, they're way more strict because they can't do what I can do owning my own company. So, they were not preapproving my sister, who...she 100 percent was approved, could get the loan, and I lost it. I sent an email to the entire County Council. I sent it to our legislators. I went off the rail. I get a phone call, God bless her soul, JoAnne Johnson called me, lets me know that she has been experiencing, in the past, developers getting their projects approved, having these affordable housing units, then knowing they're not going to get enough people approved with these more strict local banks that can't do . . . *(timer sounds)*. . . what I can do, or Misty can do, that they turn around and they are able to take those other units and flip them on the open market. I'm not saying that's happening regarding this, but I'm going to say that that's what I've witnessed for years and years and years.

COUNCILMEMBER SINENCI: So, they're using their own lenders for those --

MS. PALEKA: Well, the local banks are way more strict. And even...even if the guideline from Fannie Mae states you can do something, they possibly, nine times out of ten, have their own what's called an overlay that says, even though Fannie Mae said you can do it, we're saying you can't. So, it's more strict because they're the ones holding the products on their books. So, these people who are not--you know, they...they were on unemployment, they're being told just because they have--they're in construction and they have to go on unemployment every once in a while throughout the years, right, you

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can't use that unemployment to qualify. Well, that's disparaging income. Absolutely. That's against the law. That's a Federal regulation. But they were doing that kind of stuff. I'm very passionate--obviously, you can tell--about what I do for a living. I don't let people tell me no. So, I'm...I'm letting you know that they were not able to get approved by the local stricter bank, and because I couldn't...they wouldn't accept my preapproval letter for my sister, they got to turn around after a year--because I guess that's what it was before--and flip it on the open market. Again, I don't know, but all's I know is...I'm just stating facts of what I've witnessed.

COUNCILMEMBER SINENCI: They have their own conditions on...on those deed-restricted homes. Got it.

MS. GRIFFITHS: Can I interrupt for just a second? This is Misty. I just want to confirm with Tera. She's absolutely correct. I'll give you a very recent example. I won't name the local bank, but it is a local bank. I happen to be doing a preapproval for Hawaiian Homes. They're the lead lenders. Okay. Terrific people that work there. I have no problem with that. Except their guideline for an FHA loan was at 620 on the FICO score, whereas Tera and I, on an FHA loan within our lending parameters, is 580. So, you see the difference? So, now they're denied as the preferred lender, and that's what's happening. They're getting delied...denied, and they're coming to the outside lenders. So, there are different parameters with different banks, and our local banks are far stricter with regards to underwriting guidelines. Because a lot of times, they hold the...the loans on their books, whereas with correspondent lenders, we are selling it in the secondary market. But yeah, she's 100 percent correct...and she's passionate, and she's correct.

COUNCILMEMBER SINENCI: Okay. Thank you. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Sinenci. So, we're going to lose Member Sugimura in a few minutes at 11:30, but we'll still have bare quorum, and then we'll figure what'll happen if we end up trying...having to lose it. Member Sugimura.

COUNCILMEMBER SUGIMURA: So, one of the resources mentioned a letter that...that we should get a copy of. And what was the name, Cindy something from Vail?...oh, Christensen. Did it get sent? Oh, I looked into --

MS. PALEKA: On the 10th.

COUNCILMEMBER SUGIMURA: I'm sorry, what?

MS. PALEKA: Sorry. Yes. Yes, she sent it on the 10th, but I am in the middle of sending you folks an email with that, as well as the deed restrictions, and her verbiage from my conversation with her while I was in this meeting...so you folks can see, and you can reach out to her.

COUNCILMEMBER SUGIMURA: Okay. So, your...you emailed it to us? You emailed it to the Committee?

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MS. PALEKA: I'm going to...correct.

COUNCILMEMBER SUGIMURA: Thank you. No questions.

CHAIR KAMA: Okay. Thank you. Member Paltin?

COUNCILMEMBER PALTIN: Thank you. This question, I think, is for Ms. Paleka and Ms. Griffiths. If you can confirm, are buyers still able to get an FHA loan if the condo has more than 35 percent of the units used as a TVR?

MS. PALEKA: So, where do they get that information? So, it all depends on the condo document, how that comes back, and if you can continue on...but, yeah. It depends on the actual project, as well as what those condo docs state, and what's the profile online. Because underwriters will absolutely go online and review what it shows as far as the project, how much--you know, is it used for vacation rentals and whatnot. But it truly all matters what those condo docs state.

COUNCILMEMBER PALTIN: Okay. Thank you. And then in terms of the...the flexibility on the buy-back restrictions, is...is owner-occupied in perpetuity a situation that makes underwriters...causes underwriters to be more cautious? Oh.

MS. PALEKA: It...and Misty can speak more to it, but it's about the buy-back stuff. Should it foreclose, and County gets first right of refusal, they're fine with that event.

COUNCILMEMBER PALTIN: Oh.

MS. PALEKA: It...it truly...it...it's risk management when it comes to that. And I'm feverishly looking for all those documents that I have with my correspondents at FHA directly in Washington D.C., and I will forward those once I get it as well. I...there is...it doesn't matter about that. What matters is risk, period.

COUNCILMEMBER PALTIN: Okay.

MS. PALEKA: So, if you folks are buying immediately, and they are made whole, they have no problem with it. That's the exact words from my FHA contact in Washington with HUD.

COUNCILMEMBER PALTIN: And then my next question would probably be for Mr. Windell about enforcement mechanisms for owner-occupied in perpetuity. If somebody bought a house that was owner-occupied in perpetuity, and then we found that they were renting it out or not living there, not in accordance with the guidelines that they went to the military or they had some kind of medical situation, what is the enforcement mechanism?

MR. WINDELL: Yeah, that's a...it's...it's a great question because these deed restrictions are not self-enforcing. I think that's worth remembering. It does require an entity, and in this case, I believe Maui County to...to do that enforcement. And often, like if we use

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the...the Vail, the Aspen, the Crested Butte, all those mountain towns, again, is kind of the canonical example, the way that they approach that is that they have kind of a belt-and-suspenders approach. The belt is assessing . . .*(timer sounds)*. . . a municipal fine that accrues every day that the individual is out of compliance with the deed restriction, which is an easier thing to collect on as...as...as a municipality to collect on a fine. And then I think I was talking with the...a gentleman from Crested Butte where he says, there's some folks that have enough money to where even a \$1,000-a-day fine isn't prohibitive because they have enough money, and they want their house...and in that case, that's where the suspenders comes in, and that's where one can take legal action and...and require the...the occupant to either come into compliance or sell the home, which would be a judicial process. I'd have to look at what Maui County's deed restriction actually has in it, but my bet is that there's an annual monitoring compliance where they have to probably--best practice is to--for the...the occupant, the owner, to fill out an...an affidavit on an annual basis to say, yes, I'm occupying it as an owner, I'm in adherence...and then, in the event of non-compliance, legal action is usually the...the recourse. But like I said, in...in those mountain towns, they have...they take this belt-and-suspenders approach that I would really recommend thinking about where there's a municipal fine, which is a lot easier to enforce and collect on than judicial action.

COUNCILMEMBER PALTIN: Thank you. Thank you, Chair.

CHAIR KAMA: So, Mr. Johnson and Ms. Fernandez are off to another meeting, so let's continue with Mr. Cook.

COUNCILMEMBER COOK: Thank you. My question is for Mr. Chu, Mr. Randy Chu. I'm curious if you have any comments because you've been hearing all of the feedback, and what your perspective is.

COUNCILMEMBER SUGIMURA: Mr. Arrasmith.

COUNCILMEMBER COOK: You're on mute, sir.

MR. CHU: Thank you for the question. As I indicated earlier, you know, we look at the deed restrictions as a tool to use, and it's a tool that needs to be used not broadly for everything, but selectively. It will work, we believe, in the right situations for the right locations. As was mentioned earlier, you know, there is a se...House Bill 740 that is going through the Legislature right now, which actually is a deed restriction format based on that model from Vail, Colorado. But this--that bill also addresses ADUs, as well as deed restrictions. Basically, the plan is to purchase the deed restriction from the owner, and it's a perpetual deed restriction, and can be used selectively. We're thinking that...perhaps that in certain areas of Maui, it may not be necessarily like well-established kama'āina areas like Wailuku. I mean, typically, it is not speculative, those areas and real estate, but other areas where the real estate would be more speculative, then it can be selectively used there. And it is a tool, but, you know, you have to take into account the...the...the fiscal realities of it, and if used wisely, I think it...it will work. It will help contribute towards keeping the local folks here. You know,

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needs to be looked at as an investment and not so much where the properties become a commodity. You know, for the folks that are going to want to live here long-term, that's the one that, you know, will benefit from it. Thank you.

COUNCILMEMBER COOK: Thank you, sir. That's all, Chair.

CHAIR KAMA: Thank you, Mr. Cook. Member U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: Thank you, Chair. I kind of wanted to pick up where I left off, and I think Member Paltin kind of asked a similar question too, but I wanted some clarification on why some of the local banks are stricter. You said they carry it on their books, and then for you folks, you guys have a bit more flexibility because you guys sell it on the secondary market. Can you tell me the difference, and how that impacts your guys' ability to lend versus our local banks?

MS. PALEKA: Well, I'll let Misty talk to you, but as far as how that works, it's because...let's say, pretend--I'm not trying to pick on anybody--it's First Hawaiian Bank. They have their own overlay on top of Freddie, Fannie, FHA. And like Misty used as an example, you must have a--let's say...I don't know, but let's say FHA . . . *(inaudible)* . . . First Hawaiian Bank requires that 620 FICO, where FHA itself, the actual Federal guidelines--it's the bible that we use, and we fight back and forth with our underwriters--is that it says you can do the 580. Now, you might think to yourself, why would I do a loan on somebody who has a 580? That...that doesn't show that they're, you know, fiscally sound or whatever. Well, maybe it's one of our kūpuna that doesn't like credit and they live cash. It doesn't mean they don't pay their bills on time, but they're penalized for it. So, back at the ranch for that...the First Hawaiian Bank. They hold on their portfolio. That's their in-house money. They will lend their in-house money, and they will retain the servicing. So, when that borrower who borrows from First Hawaiian Bank, they continue to pay their monthly mortgage payment to First Hawaiian Bank. It doesn't get sold, and then they turn around and they're paying . . . *(inaudible)* . . .

VICE-CHAIR U'U-HODGINS: Yeah.

MS. PALEKA: That is that secondary market. That's where that money is made. It's buying and selling of our mortgages and packages. So--but they hold and retain that. And because of that, they get to say, we don't want to lend on somebody that has a more...a credit score less than 620 because we don't consider that viable for us. So, that's...that's how that works, and I'll let Misty talk back.

MS. GRIFFITHS: So, every lender has their own parameters. I think she was mentioning the overlays. It just depends on their company what their overlays are going to be. So, it...it can--like she said, the FHA guideline, you can go down to 580, but First Hawaiian Bank might be minimum 620 FICO score.

VICE-CHAIR U'U-HODGINS: Okay.

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MS. GRIFFITHS: That was just one example of overlays. There's other overlays besides that. For every lender, it just depends on what risk they want to take. So, every lender's going to really vary from credit unions, to brokers, to, you know, . . .*(timer sounds)*. . . our correspondent lenders. Yeah.

VICE-CHAIR U'U-HODGINS: Okay. Okay. I have another question, but I'll hold onto it.

CHAIR KAMA: Okay. Thank you.

COUNCILMEMBER PALTIN: Chair?

CHAIR KAMA: Member Sinen...yes?

COUNCILMEMBER PALTIN: Could she go extra because she skipped some of her --

CHAIR KAMA: Sure, you can go extra. We're giving extras today. Thank you for that, Member Paltin.

VICE-CHAIR U'U-HODGINS: Thanks. I appreciate that. My question is, I was recently thinking...okay, I'm going to be 39 soon, and in my life, we have--people my age have gone through so much in the world, right? So, in 20...2008, we had the major recession and, you know, the housing bubble burst, and I was four years out of college--or in college, four years out of high school, right? And we had like 9/11, and COVID, and now this Administration Federally, and it seems like we should be preparing ourselves for another recession. Yeah, right? Like I just read, our President is trying to impose...or threaten to impose a 200 percent tax on EU alcohol, which really messes with my life. And hee hee, ha ha, but not joking. But what should we do in our housing market to prepare for this potential recession? You know, yesterday...or the other day rather, we talked about the difficulties of financing a project when it has long deed restrictions, or when it has all these other County restrictions, but in your opinion, when you lend money out, and you're preparing all of our local people to hopefully buy a home soon, what should we be preparing for if we go into another Great Recession?

MS. GRIFFITHS: You're looking at me to answer every question. I was hoping Tera would jump in on that one. . . .*(laughing)*. . . You know --

MS. PALEKA: . . .*(inaudible)*. . . .*(laughing)*. . .

MS. GRIFFITHS: -- we get these questions from our young people quite a bit, how are we going to prepare. Typically--and I may be wrong, and it's an opinion--during recession, our interest rates will typically go down. So, really, that's the best time to buy. So, be prepared, yeah? Make sure you have your stable job, you know? And I think we need to start educating our keikis already in high school. My children had no choice, right? And I'm sure Tera is going to tell you the same thing...because we're in the industry. But that's--they're lucky because we're moms that was teaching. But if we can start our children young, before they get into debt on a student loan--because we see this so often. I was just looking at one just yesterday where the parents had a student loan of

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\$30,000, and it can make or break their qualification for the home that they're trying to buy. But if we start our...our keikis young and realizing, you know, what they need to prepare for, so by the time they're 39, they're ready to go, right? And that's...that's something that has to be introduced into our educational system. And maybe that's something that us lenders can start working with our...our high schools, you know?

VICE-CHAIR U'U-HODGINS: Yeah. There's that one joke, right, and it's like funny, not funny, but the best time to buy a house was like when I was 12.

MS. GRIFFITHS: Correct.

VICE-CHAIR U'U-HODGINS: Yeah.

MS. GRIFFITHS: Correct.

MS. PALEKA: Yeah. I...I--just to add to what she said, I--and . . .*(timer sounds)*. . . I want to just...my take on that part is we're not going to have another Great Recession like we did. Why? Because there's no liar loan *(phonetic)*. As you guys know, back then, if you had a pulse and a Social, you got a loan. And now, I need your first-born grandchild. I've got to have your blood quantum to make sure it's A, B, or C. You know, it's ridiculous. There's not going to be that. As far as exactly what Misty said, educating our keiki, 100 percent. And Hawaiian Community Assets has a fantastic program that goes into the high schools to do that. And yes, buying in the recession when rates are low, that old adage about marry the house, date the rate, the interest rate, you want to grab while you can, and then refinance later if you need to for a lower rate. But yes, absolutely, the rates do go down, and that is an opportunity. So, people just need to save money and be prepared.

MR. WINDELL: Would...would I be able to interject a quick thought on there too, just to build on that? I think when...when...when Ms. Paleka mentioned that like, you know, the...the Great Recession of 2008 was based upon a structural flaw in our housing market, and...and that...that particular flaw was solved. So, I think the nature of how that...how an upcoming recession affects housing, we shouldn't necessarily look to what happened in 2008 as a predictor for what might happen for the next one because housing was at the center of that. And then the other thing I'll add is, specifically in the community-land-trust world, and I believe this applies to a lot of deed-restricted properties as well, is that the foreclosure rate was near zero across the nation. Because folks that are in community-land-trust homes and often deed-restricted homes are in...in an affordable price. So, they aren't in over their heads. And I mean, I...I think we saw less than 1 percent, far less than 1 percent in the community-land-trust world from...from a foreclosure standpoint. So, I think the more of this actually affordable housing stock there is, it actually is a little bit of an insulator into community effects of recessions.

VICE-CHAIR U'U-HODGINS: Thank you. If I still have some time, I guess maybe I'll ask Mr. Kent this question. So, if we can prepare our people to buy during a

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recession--which hopefully we're not there yet, but we need something for people to buy--how quickly can we build for people to buy?

MR KENT: Well, that depends on how quickly we can get out of the way, I think, of the people trying to build, of course. You know, it's well-documented that it takes more than ten years just to get a project approved, and then it takes a few months to build the homes. And so, the--time is money, and the quicker you can allow building, then the lower the cost to build is, and the lower price those homes will be, of course. So, I really like what the Council is doing with Bill 103, Bill 104, and Bill 105. I mean, those are great ideas to help out. So, kudos.

VICE-CHAIR U'U-HODGINS: Cool. Thank you for that. The one thing I think the last few years have taught us is to always brace for impact, and we can never really predict what's going to happen. And I don't disagree that probably the 2008 crash is not going to happen so similarly, and yet at the same time, every day, we're living through unprecedented times, and I just want to live through precededented times for like just a few years would be great. But that's...that's all I have for right now. Thank you, Chair. Thanks.

CHAIR KAMA: Thank you. Let's continue with Member Sinenci.

COUNCILMEMBER SINENCI: Mahalo, Chair. Yeah, I, too, met with Mr. Arrasmith and Mr. Wang yesterday, and our general conversation was that albeit the Housing Hawai'i's Future is supportive of long-term deed restrictions, they...they also support some changes on the...on the other side. And maybe I'll have Perry kind of explain that discussion that we have about the different, I guess, efforts we can do in supporting long-term deed restrictions.

MR. ARRASMITH: Sure, Member Sinenci. And I'll...I'll try and be concise with...with that conversation because I think it was a very substantive, philosophical conversation. What we were saying, in summary, is that when it comes to measuring the cost of development, we cannot forget that there is a cost to development, and furthermore, putting in place lots and lots of restrictions, as Lee said earlier today, can actually impede the ability of a local resident to actually purchase a home that is deed restricted, especially under Maui County's existing program. We need to have a give-and-take approach. And what we mean by that is if we're going to approach the conversation of having longer-term deed restrictions, or even deed restrictions in perpetuity, we need to think about other elements of the deed-restriction program, such as income caps on the basis of AMI. If this program is going to only be targeting residents--residents as defined by Chapter 2.96--is it more practical for us to stimulate the construction of these deed-restricted homes by getting rid of those sorts of restrictions, while simultaneously lengthening the duration of the restriction or making the restriction perpetual, so that at the end of the day, what we get as a result is a market that's only for qualified residents? And that was more of a philosophical question that we threw out to you, Member Sinenci, but it aligns with how we've been thinking about House Bill 739 and House Bill 740. How do we get rid of certain restrictions and put in place other

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restrictions that are more receptive to the market for not just developers, but also for potential homebuyers...local homebuyers.

COUNCILMEMBER SINENCI: Okay. Thanks, Perry, for that. And then, Chair, my other question for Mr. Chu. I guess, you know, we just had this huge fire, and we're...it's...we've got a \$4 billion settlement from the wildfires, and we got another 1.6 billion from CDBG-DR . . .*(timer sounds)*. . . funding. And...and in our earlier discussions, our Disaster Recovery Department wants to implement deed restrictions to keep the...the local community here. And you've...your thoughts with other benefits to...you know, like you said, establishing a long-term stable community, stable neighborhoods, those types of things?

MR. CHU: Yes. We...we do believe, again, that deed restrictions is a tool that can be used. When used properly and selectively, it will help to the overall broad spectrum of affordable housing. We are really focusing on trying to...right now, we are really focusing on trying to rebuild the affordable housing that the State has in its inventory. One particular project in particular is the Front Street Apartments that was destroyed during the wildfires. We want to rebuild it. We're looking at doing it better this time. It was built 20-some odd years ago, and it was 142 units. We are looking...because of the current situation, where land values and scarcities and demand is there, we want to redevelop it to be appropriate for today's situation which calls for a little more density, more community areas in it, you know, just to be...to keep up with the times. And, you know, we...we want to push that forward. We're exploring to see if...if possible, even some of that CDBG-DR funds can be used to help in that effort. Yeah. There...there are, you know, the restrictions for the use of the DR funds, so, you know, it...we're definitely exploring that. Our philosophy, really, is to try to get some permanent affordable housing online so people have some...some sense of security. You know, right now, the State and FEMA has those temporary housing projects in Lāhainā, which is good. You know, it provides homes as a temporary thing, but I think people are looking for permanency.

COUNCILMEMBER SINENCI: Yeah.

MR. CHU: And that's what we're really trying to target. And from every angle that we can deliver that, we will pursue.

COUNCILMEMBER SINENCI: Thank you, Mr. Chu. Thank you, Chair.

CHAIR KAMA: You're welcome, Mr. Sinenci. So, we want to welcome back Member Lee, and Member Johnson, and Member Fernandez, and we're going to start our questioning with Member Lee, if you're ready. And followed by --

COUNCILMEMBER LEE: I'll...I'll pass for --

CHAIR KAMA: -- Member and Member Rawlins-Fernandez.

COUNCILMEMBER LEE: I'll pass for now. I'll wait for the --

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CHAIR KAMA: Okay.

COUNCILMEMBER LEE: -- you to come around again.

CHAIR KAMA: Member Johnson, do you have other questions?

COUNCILMEMBER JOHNSON: Pardon. Okay. Can you hear me? A little bit laggy.

CHAIR KAMA: Yes, we can. Yes.

COUNCILMEMBER JOHNSON: Okay. Thank you. Thank you, Chairs, for my opportunity to ask some questions. So, you know, here on Lānaʻi, we--well, first off, I...I'll just back up, or I...I can't remember who it was. I'm sorry, I'm jumping through several meetings. But one of our resources was saying that, you know, people don't want to live in 500-square-foot units anymore, and here on Lānaʻi, that's...that's the description of our plantation homes, right? They're small, built in 1930, and those were our workforce houses for many, many years. With...we're looking to build a new affordable housing project on the Island of Lānaʻi, I want it to be folks who lived here a long time. Ms. Griffiths, I think her name was, was talking about the project where only about half of the families who qualified got in those units were not really long-term residents. I think the deed restriction kind of puts those folks on the side who are new to the island because maybe they don't want to stay here 20 years, but Lānaʻi folks, they do. They want generational...they want their kids to grow up here. You know, the old adage on Lānaʻi is, we export two things, our children and pineapple, and we don't grow pineapple anymore. So, if we had long-term deed restrictions on the Island of Lānaʻi for our affordable housing projects, I think that sounds like a plus. We don't want to speculate, and we don't want this idea of, oh, I get the--you know, you...you do the lottery, you pull out your name, you get the unit, and then you win another lottery by selling it in just a few years. That's...that's my concern. And I...I really want to kind of tamper down, why do you folks think that the...most of these newcomers are coming and buying the units that are...that are being available? Do you think it's they have more purchasing power? What's...what's going on with that? Can...I'd like to hear some of our responses from our...our resources.

MS. PALEKA: Well, I...I...I'm going to jump in, and then be quiet because I talk too much. Honestly, I feel that because they have lived other places where they can save money...look at us. I'm born and raised here, and I...it took me forever to be able to afford a house. And I make good money, but I'm going to tell you right now, I can't afford our median home price. Absolutely not. So, I...I truly believe that that's part of it, a big part of it. And then also, there's some generational wealth they're walking into the door with over here, and...and the loans that I finance for people that are coming in, they absolutely have the down, they have the ability, and it...it comes from family money, you know?

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COUNCILMEMBER JOHNSON: Ms. Paleka, those folks who come to you with that big purchasing power, do they gaff at the...the deed restrictions, or do they say, oh, that's...now I can't flip this house? Or what...what's their response to that?

MS. PALEKA: So--okay. I've only...I...I'm going to be honest, I've only had two people like that for the deed restriction, and one of them . . . *(timer sounds)*. . . chose not to because they actually relocated. The other person, they were offered another home. So, they absolutely were considering the deed restriction, but they weren't flippers. They weren't, you know, looking to do any of that. They just were--one actually got relocated for work, and the other--I'll let Misty talk because it didn't...it doesn't apply to me. Sorry.

MS. GRIFFITHS: So, the deed-restricted workforce housing at Hale Kaiola, we really had a lot of people that didn't want to purchase because of the 20-year deed restriction. It took us...it was only 140 units there, and we ran over, I think, into July, sitting open houses trying to get them sold. And these were in the \$500,000 range.

COUNCILMEMBER JOHNSON: Were those mainland folks?

MS. GRIFFITHS: Huh? Excuse me?

COUNCILMEMBER JOHNSON: Was that...were they mainland folks, or just in general across the board?

MS. GRIFFITHS: You know, they...the...the restriction was they had to have lived here for at least two years, okay? So...

COUNCILMEMBER JOHNSON: What was the AMIs for those units?

MS. GRIFFITHS: It...it went in categories. You had the 80 percent AMI, which completely sold out because the prices were very low. I think they were--I...I have the numbers here.

COUNCILMEMBER JOHNSON: Right.

MS. GRIFFITHS: But anyway, then you had the...the 81 to 100 percent, and the 120. It was the 100 to 120 AMI that was the most difficult to sell...sell to for the 20-year deed restrictions.

COUNCILMEMBER JOHNSON: I understand that.

MS. GRIFFITHS: Yeah. Yeah.

COUNCILMEMBER JOHNSON: So, it...it does boil a lot down to cost? I...I mean, I always use the adage, if I...if I go to the store and I buy...I see a \$20 steak and it's on sale for \$19, really, what am I getting, you know? But if it was a \$5 steak, hey, I'm...I'm there for it, you know?

MS. GRIFFITHS: Yeah.

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COUNCILMEMBER JOHNSON: And that's really what folks, when they think of houses, that if it's just right under market. But I...I think the quality of those units might also have been a factor, but my time's up and I appreciate you getting --

MS. GRIFFITHS: Yeah, yeah. I understand that that's happening now, but they also--and I do understand that a lot of them are now pushing back on this 20-year deed restriction from this project. I...hearsay, but that's what's been told to me. But I believe with what you're saying, Gabe. The long-term residents of Lānaʻi, Molokaʻi, they don't want to leave. I think that long-term, almost similar to what DHHL is doing, they're okay with that because that generational family wants to stay in Hawaiʻi. It's here on --

COUNCILMEMBER JOHNSON: Yeah.

MS. GRIFFITHS: -- Maui Island that we're having that difficulty because families are moving off-island, and they're going to that ninth Hawaiian Island because it's cheaper to live.

COUNCILMEMBER JOHNSON: If we could make that unit really match their incomes, then we're talking a different story, right?

MS. GRIFFITHS: Yes.

COUNCILMEMBER JOHNSON: But again, I heard my bell, so thank you so much. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Johnson. Okay. We're going to go next to Member Keani Rawlins-Fernandez, then we'll go back to Chair Lee, but I think Tamara needs to leave at the moment.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I generally don't talk about the cost of housing on Molokaʻi because I...I don't want investors or speculators hearing the prices because I don't want them coming here. We have been able to stabilize the cost of our housing on Molokaʻi because we have a very tightly-knit community that will sell to...their houses to each other for not double the price because we value our community here. And so, I...I really don't want to talk too much about, you know, Molokaʻi's housing prices like this because I...I don't want speculators coming here. It's going to hurt our community, which is why I...I cringe when I hear the talk. So, we're...we're--it's...it's mostly about...about Maui, and the population growth. I...I wanted to share my screen real quick. Can you see that, the...the year from 1970? Can you see that? Anyone?

COUNCILMEMBER JOHNSON: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: Thanks, Gabe. Okay. . . .*(laughing)*. . . From 1970 to 1980, like 62 percent, 45 percent, 28 percent. The...the population has like followed the construction, the amount of houses. If we were building houses for the current population, then we wouldn't see an explosion of the population on Maui. Like,

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it...it...the...the amount of houses built like track the population growth. And so, in, you know, hearing Mr. Tyndall, you know, talk about like more supply, like, I--it...it...it's scary because I...I hear Maui residents. They...they don't want the population of O'ahu, 1.4 million. And so, there...there's an assumption of like endless growth, and that growth...you know, the principle of growth and economics, if it's good...but there, it's...it's not. It's not...Moloka'i doesn't want a population explosion. Maui doesn't want that. Maui doesn't want to have a population of 1.4 million like O'ahu. So, like how do we balance these things? And part of balancing these things is controlling the housing inventory with these things. And I...I feel like we've...we've been talking about deed restrictions as one of the tools in order to . . . *(timer sounds)*. . . control the...the crisis of housing distribution so that it...it remains for residents and not be vacant, or for speculators, or for investment. And I...I don't...I don't know if--I'm...I'm...I want to hear the resource folks in...in sharing their concerns. I don't know if we, as Councilmembers, are really making progress because it seems that when our...our...our bias is confirmed by the resource people, then we...we latch on to that, and then that...that's...it just reaffirms what we already believe. And so, I don't know...I...it doesn't sound like we're...as Councilmembers, are like are really open to hearing what is being shared by all of our resource people. And so, I just...I needed to say that. I don't know, I...I called on Mr. Tyndall. I don't know if you wanted to like respond, or if you wanted to make a comment since I said your name, but you don't have to.

MR. TYNDALL: Sure. Yeah, no, thanks for your comment. So, I mean, I think everybody wants to...yeah, obviously everybody wants people on...on Maui and...and Lāna'i, Moloka'i, to be able to stay where they are, so the question is would, you know, expanding deed restrictions accomplish that goal? I think we can point to individual projects that have been successful, and say like look, this family was able to qualify and stay. I think, though, if we look across studies of other jurisdictions, expansive inclusionary zoning policies lead to higher rents and...and less affordability generally for the people who don't qualify for those programs. I think I...I'm super sympathetic. You know, Maui is very unique in the sense of the role of second homeowners in particular. I think, though, Maui is like very well positioned with your property tax system, where you already have separate rates for renters and homeowners, and a separate class for nonowner-occupiers. So, you know, you guys should triple that rate, quadruple that rate. Like every time, you know, there's someone moving off-island because they can't afford to live there, or someone who becomes homeless and you have an apartment that's sitting empty for 90 percent of the time owned by someone from out of County, you know, you should make that almost impossible to do, or extremely unattractive, right? You have, you know, tens of thousands of units that are essentially sitting empty that could be used to house local families. And...and I would make one other distinction. People were talking about the Vail program and the State policy on deed restrictions. You know, my understanding is both of those cases are to purchase deed restrictions on existing housing, which I think is a fantastic idea and another mechanism to make sure housing goes to local families, but I think that's different than placing deed restrictions on new housing, which we know from studies discourages building. And, you know, if we look at the last 20 or 30 years of housing construction on Maui, you know, we're already near zero, right? We already don't have developers willing to build multifamily housing without huge subsidies, so adding additional, you

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know, costs in terms of affordability requirements--I think we're really speaking hypothetically because we're already close to no housing production in terms of multifamily, so tightening the rules further, you know, would go from close to zero to...to zero, right? There's just not a lot of latitude for new construction stuff. But I think deed restrictions apply to already-constructed housing that's underutilized. You know, I think that's definitely the right direction to move it. I think that would be a fantastic policy.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Tyndall. And that's why I spearheaded the tax policy reform when I first got onto Council so that we're able to use those levers more efficient...efficiently. And see Mr. Windell with his hand up wanting to respond. Mr. Windell?

MR. WINDELL: Yeah, just a couple of thoughts. Dr. Tyndall, the...the...that's actually incorrect. The...the Vail, Breckenridge, Crested Butte, Aspen all have pretty significant inclusionary zoning policies, and the majority of their deed-restricted homes come from those policies. It's...it's true that they have their Vail InDEED and Good Deeds (*phonetic*) programs where they go pay for existing housing to put deed restrictions on, but that is by far the minority of the total amount of deed restrictions that each of those towns has and manages. And I think...I think--I've read some of those studies, probably not as many as you have, that...that suggested there's a link between inclusionary zoning and...and rent increases. I think oftentimes, that loses the local context and the...the elasticity of the local housing market, and I would say in...in Maui in particular, the housing market is very inelastic. You know, for every increase in dollar amount of price, there isn't a corresponding decrease in demand for that housing because the demand is effectively limitless. It's globally interesting. So, I think that's why the supply argument is so dangerous in a place like Maui, where certainly, you add supply, but as...as Councilmember Rawlins mentioned, that supply leads to growth, leads to people from outside buying and...and moving. So...so, I...I think that...that applying that...that...that concept, that inclusionary zoning, makes things more expensive, is...is...it requires more nuance, and also a discussion of what are the measures of success. Is it purely supply? And if so, I think that that's a little short-sighted.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Windell. I...I see Mr. Arrasmith with his hand up as well, Chair, but up to you. Mr. Arrasmith?

MR. ARRASMITH: Yes. And I...I just wanted to make a minor note. With regards to House Bill 740, that's an accessory dwelling unit deed-restriction program, which would basically be an exchange. The County would purchase the deed restriction, and in exchange, the individual would construct an ADU on the lot. So, both the ADU and the existing housing lot--the existing housing supply, if you will--they'd both be under a deed restriction.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo for that. Mahalo, Chair.

CHAIR KAMA: You're welcome. Okay. Members, it is 11:59. Are you...have you all exhausted your questions for our resources? Because if you have, I'd like to let them go so we can

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go to lunch, but if not, then I'll have to see if they're able to stay. So, Members? Well, I think there's Shane online, and Gabe's online, and in the Chambers is Chair Lee, and Member Cook, and Member U'u-Hodgins. Member Sugimura has left, and so has Member Paltin. Okay. So, there's seven of us here. Okay. Members--yes, Member Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. So, you said any...any of the Councilmembers have further questions?

CHAIR KAMA: Yes, and then I will ask them to --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

CHAIR KAMA: -- I'd ask our resources if they could stay until after lunch, and we would...we'll go to lunch and come back unless they have to leave.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Got it. I...I have a couple more questions, but --

CHAIR KAMA: Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- yeah. If it's just me, then I...maybe I can just ask it before we break.

CHAIR KAMA: Any other Members have questions for our resources? Not right now? I heard a not right now. Member Johnson?

COUNCILMEMBER JOHNSON: Thank you, Chair. I...I think my questions have been answered.

CHAIR KAMA: Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. My questions also have been answered. And mahalo to everyone for joining us. Thank you.

CHAIR KAMA: Okay. So, Member Rawlins-Fernandez has a few questions, and I'd like all of you--because you're going to have to make a decision at some point in time, if not today, maybe next week, and I'd rather you all have all the information you need under your belt to make your decisions than have to think, oh, what did Mr. So-and-so say, or I wish I asked Ms. So-and-so this question. Okay. Member Rawlins-Fernandez, you have a few more questions?

COUNCILMEMBER RAWLINS-FERNANDEZ: I can make it one.

CHAIR KAMA: Okay.

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COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. So, like the...the question is in...I guess like in response to--I...when I jumped back on from my last meeting, I heard Mr. Chu talking about that, you know, folks want permanency. And so, you know, like if...if...if that were true...mostly true, then the length of a deed restriction shouldn't matter so much since the property would allow for a managed appreciation to get equity to...in order to refinance to, you know, assist their, you know, children with college tuition, for example, or what...whatever, you know, the financial need may be. But, you know, the...the bills that we have before us would extend the length...the...the duration of the deed restriction for affordability. I don't think the...the bill for deed restriction on owner-occupied is...is part of this discussion right now, although we've been talking about it, but I--the other day, there were testifiers at the HLU Committee meeting that were asking us to reduce their deed restriction from 20 years to 10 years, which kind of speak to the point of...you know, that people just want to flip their home and cash in on the subsidy that made their housing affordable in the first place. So, do...do you have any thoughts on...on that, like the...if the...if folks wanted that permanency, then the length of the deed restriction shouldn't matter so much?

MR. CHU: Thank you for that question. You know, I...I believe that, you know, there's various populations that you have to look at when you look at the local communities--one are the homeowners, one are the renters. For rental properties, you know, we have programs, have HHFDC, where to induce the owner of the property to keep it in affordability, we offer them GET exemptions on the rental income if their properties remain affordable. Once it reaches the...the required term of affordability that we establish in our development agreement with them, they could move it off to become a market-unit project. Usually, those are like 30, 50, 60 years. But to induce them, we offer them the GET exemption, that's like 4-1/2 percent off the top, to keep it affordable. As for for-sale projects, you know, HHFDC . . . *(timer sounds)* . . . has its 201H program where the restrictions are for ten years, the buy-back restrictions, and basically after ten years, you could sell it as a market unit if you bought it as a affordable unit initially. And, you know, like was pointed out, you know, there are some municipalities that have made the buy-back period longer, up to 30 years, and, you know, they have a hard time selling it. That...that's kind of a proven fact. So, we think that ten years seems to be a good...a good balance, where people are willing to commit for the ten years, and...and then after that, they can sell it. If they do sell it because of conditions within the ten years, they need to sell it to another affordable buyer, or we have their first right of refusal to purchase the unit, and then resell it to affordable.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mr. Chu?

MR. CHU: Yes?

COUNCILMEMBER RAWLINS-FERNANDEZ: Acknowledging--so, when...when the...when the ten-year deed restriction was created, it was back in the early 2000s, and housing...the cost of housing was already starting to climb. It...it's...it's insane right now. Acknowledging how long it takes to...how long and how expensive it is now to build housing, would it not make more sense to connect the deed restriction to the amount of time that it would take to replace the housing that would flip out of affordability?

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MR. CHU: Well, that...we should take that into consideration given, you...you know, that thought. The programs in place have its rules right now. We're always open to...we'll...we looking at things to make sure that it is appropriate for the...the current situation, you know? So, we're...we're very flexible about that. We want to keep up with the times, you know?

COUNCILMEMBER RAWLINS-FERNANDEZ: Um-hum.

MR. CHU: And the 1980s --

COUNCILMEMBER RAWLINS-FERNANDEZ: Uh-huh.

MR. CHU: -- is a very different time from the 9...2000s, and right now is totally a different time, you know? So, we...we need to adjust, and we will adjust, you know, and open to that adjustments as necessary. So, I'd be happy to --

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Chu.

MR. CHU: -- discuss it further with you, you know, if you --

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah.

MR. CHU: -- if you care to. Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: That's great. Mr. Tyndall, do you have any thoughts on connecting the time that it takes to replace that housing that would flip out of affordability to the deed-restriction length?

MR. TYNDALL: So, you know, I think maybe I'll just make one related point. You know, I think there's a lot of concern about flipping. I mean, I think this is only a profitable enterprise because we've had continuous home price increases for so long, so people find it an attractive possibility to buy a house, wait two years, and make a profit. You know, if we were successful in tamping down home prices a bit, then we'd see an evaporation of...of that type of demand. I think...you know, I think the...the possibility...possibility that someone who benefits from one of these programs, and is then able to sell it later and benefit from that appreciation, you know, to me, that's not a huge failure either. So, you know, we don't want to see people flipping the thing after two years just to make a profit, but, you know, to qualify for these programs, you have to be a local resident, you know, and then if you are able, at the end of the term to, you know, make \$50,000 and upgrade to...to a larger home for your family, you know, because of some life event, you know, I...I don't know if that's a huge policy barrier either. But in terms of tying it to the length of the restriction, I'd have to think about that. Yeah, I'm not sure.

COUNCILMEMBER RAWLINS-FERNANDEZ: All right. So...so, you...you think the demand for housing on Maui could evaporate with different policies?

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MR. TYNDALL: So, I think...like to give an example of, you know, a condominium where some of the initial units are purchased by, you know, an out-of-state investor, right, and maybe rented out to a local family, you know, then there's a local family who's living in that unit. Or if it's, you know, financed through money from outside of the County, and then sold to a local family a couple of years later, then that family gets to live there. Again, I think the real sort of issue, though, like leakage, is if those units sit empty for a long time, right? And we have tools that we could use to address that, to try to make sure it's, you know, prohibitively expensive to leave a unit empty for a long period of time. And I think deed restrictions, you know, is one way to do that, but I think that we have this big inefficiency of discouraging construction of housing, and the property tax system might be a better way to...to target that.

COUNCILMEMBER RAWLINS-FERNANDEZ: There's a billionaire that has bought 98 percent of an island, and he's left that vacant. I...I don't know.

MR. TYNDALL: He should be...he should be taxed ten times what he's taxed, and that would be a huge disincentive for him to do that...or the County would make an enormous amount of money and could build all the housing they want to, I think.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Tyndall. Mahalo, Chair.

MR. TYNDALL: Thank you.

CHAIR KAMA: You're welcome. So, Members, if you're all done asking your questions, I want to say thank you to Dr. Tyndall, to Mr. Chu, to Mr. Rasmussen, to Ms. Paleka, to Ms. Griffiths, to Mr. Kent, Mr. Windell, and Mr. Wang when he was here, and Mr. Arrasmith, and saying thank you for asking [sic] all of our questions and for making the best attempt in trying to help us resolve our deed restriction policy that we're going to be creating by next week, hopefully. And so, I'm hoping that...Members, if you have questions, I want you to feel free to call these people on your own during your weekend if you'd like to do that. We have contact information if you need. So, if our resources don't mind, we'd like to be able to share that because I think the issue at hand is such a great issue, it's a grave issue, and we want to make sure we do the right thing by all of our people. And as you can see, just through the discussions this morning, that many of us really want to make sure that our homes stay in affordability, and that they are for our local people, and that it is tied to their homeland, and that we'll be able to do right by them. So, thank you all very much. Members, it is 12:12. The HLU Committee is now in recess for lunch, and we will see Members after lunch. We are now in recess, 12:12 until 1:30. Reconvene at 1:30. . . .(gavel). . .

RECESS: 12:12 p.m.

RECONVENE: 1:35 p.m.

CHAIR KAMA: . . .(gavel). . .Will the HLU Committee meeting of March 13th reconvene. It is now 1:35 p.m. So, Members, when we recessed, we completed our questions for our

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agency participants, so let's proceed with discussion. Committee Vice-Chair U'u-Hodgins, before you begin, I had invited Member...Mr. Mitchell, our Housing Director, to come and to kind of synthesize what he heard, what we all heard these past few days, to help us to...to set some kind of a path for us to begin as--so that we not be all over the place. So, Mr. Mitchell, please.

MR. MITCHELL: Thank you, Chair Kama. And aloha, Members and Chair Kama. So, today's discussion, I guess I can best summarize, by first going over what I think of the...the one or two salient points each of the speaker made, at least from...from my vantage point--and not that they didn't make many more salient points, I'm just focusing on the ones that were most significant in my mind--and then summarize in totality what I think I heard. And I will start off by saying, I was grateful that the panelists all began to talk about restrictions not only in terms of the length of the restriction, but in terms of the other nontime-related--as I put it, nontemporal restrictions--because it's an important factor to distinguish. A lot of times, folks will talk about restrictions having an effect on the marketplace without distinguishing whether it was the length of the deed restriction, or was it some of the other nontemporal restrictions that affected the marketplace. And I think that's an important point to rest with because the key here is figuring out that teeter-totter, as I described a couple of days ago, where you have enough restrictions or length of restrictions to retain and sustain an appropriate amount of housing stock for the community that needs affordable housing on the one hand, and on the other hand, not having so many, as I put it, nontemporal restrictions that are sticky, or cause friction, or they increase underwriter sensitivity because they view them as a risk that has to be dealt with. So...and then the other thing I wanted to point out is, you've heard me in the past talk about we can try to fix the housing stock from the perspective of production, but we also have an economy issue that we need to recognize. And I think some of the speakers talked about the difference of our economy, the average wages, and how--I think there was one speaker that said house prices are increasing, by his estimation, between--I think it's 9 to 11 percent annually, but wages are only increasing 2 to 3. And it's really important to remember we're...we're on...on the side of supply and demand trying to create the housing, we're not on the side of fixing those economic drivers that allow wages to move commensurate with home prices. Okay. So, going through Dr. Kendall's *[sic]* comments, there was one point I wanted to make sure I clarified, which is his reference to the length of restrictions not allowing projects to pencil out. When we look at pro formas, real estate pro formas, nowhere on that pro forma is there a line for the length of restrictions. We're looking at just the costs, and either it pencils out on the pro forma, or it doesn't. Now, if you've got deed restrictions that lead to the developer not being able to get commercial financing, then we can say, okay, they couldn't even fund this project, so, yes, it doesn't pencil out. But generally, we're just looking at a pro forma. So, I'd just exercise some caution there when talk...folks talk about the restrictions generally don't allow a project to pencil out. What we're looking at is the economics. But Dr. Kendall *[sic]* also pointed out that building in Hawai'i is three times more expensive than anywhere else, and he said the three inputs there were infrastructure costs, permitting time, labor, and materials. I agree wholeheartedly. Two of those, we can manage, the...the last, we cannot. So, infrastructure costs and time we can affect, but material costs, labor costs, it's very hard for us as a body, as the County, to affect that. I agree wholeheartedly with Randy Chu,

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who talked about the need to use deed restrictions to sustain and maintain affordable housing with the community on the one hand, but to ensure that we weren't allowing homes to be...as investments to become commodities. And you've heard me talk about ways to control the marketplace as a key component too, so I agree with what he had to say. I did not disagree with Ms. Paleka at all. Enjoyed her enthusiasm, and...and liked what she had to say. I think it was Mister...Mr. Windell who may have alluded to home appreciation increasing at two to three times the actual wage growth, and I think he may have been the speaker that talked about wage...the relation with wage growth and ability to actually purchase an affordable home, and I thought his points were well-taken. Mister...Mr. Wang made the distinction for you about time versus nontime-restrictions, and I was glad he did that. And he also said that the problem of affordable housing needs both production and protection, and...and that phrase stuck in my mind. He used some examples on his presentation that I would suggest are inapplicable to the County when evaluating the effect of deed restrictions in the O'ahu market relative to Maui, and his examples were really tall high rises. And there are a number of reasons why those residences might be disfavored in the marketplace, and we also don't know what some of the nontemporal restrictions are that might have led to those units not being sold as quickly as they could. But generally speaking, I thought the presentation was thought...thought-provoking, but the examples that led to his analysis weren't, I think, appropriate for our marketplace. Ms. Griffiths' comments about how shared appreciation can become a problem for certain types of loans, I believe she said FHA loans, and causing some buyers to have to pursue conventional loans was well-put. We...as a County, we don't know what all those loan requirements are, and it would...it would be good to have a better understanding of how our restrictions might prevent potential affordable home buyers from actually getting loans, and so I'm going to look into that to see if I can figure out whether we have anything in our...in our program that creates that problem. And I thought she was very helpful in pointing out how different lenders have different underwriting standards, and that some homeowner education needs to be done with potential buyers so they understand that if they go to a developer's preferred lender, who is working with the developer on a project to get prequalified--and that lender, for whatever reason, doesn't prequalify them--that that shouldn't be the end of their efforts to become a homeowner. They really should get prequalified...or seek to get prequalified from some other bank, and I think Ms. Griffiths had a great example of how that occurred, I believe, in her own family. It was Paleka? Okay. Mr. Kent's comments, I thought, were constructive too. He talked about how the higher cost...the...the higher the cost to build, the more difficulty affordability becomes in itself, compounded by the restrictions. And he coined the phrase, or he used a phrase that I had not heard before, that as a result, developers shrinkflate the homes, and put the owners of affordable homes, while in the same position of any homeowner of having to be responsible for defects and following up, put them in that position when they're probably the most financially vulnerable. They're not able, after acquiring the home and figuring out how to transition to the homes, actually do what any other homeowner would do, which is in the Hale Kaiola context, it would be to, through your home association, initiate claims against the developer. Mr. Rasmussen, I thought, made a good point when he discussed considering shortening buy-back periods if a particular deed-restricted home doesn't sell, considering shortening those buy-back periods. So, those were just my initial takeaways from each of the speakers, and to summarize where

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I am, having listened for the last few days too, I'm, as...as you probably can imagine, still at that place where I'm advocating that the Council should be looking at reasonable time restrictions, the length of the restrictions, such that the County is not perpetually in the cycle of having to replenish the stock. You have to get to a point where you can maintain it. And if it's constantly cycling out of the restricted period and going back into the open market, it's creating...you would create a continuous challenge for the County. So, the length of the time has to be balanced with what I coined as the nontemporal restrictions. And so, as I went back to my office and after lunch, I took a look at when our deed-restriction program rules were first drafted, and it goes back to the 1990s. So, ours need to get a good fresh look. We have a lot of administrative rules in the Department of Housing that need a fresh look because they are, in my mind, very old. So, that's something we're going to do. But then the bills before the body all deal with time, but not the other stuff. And so, at this point, I would say that the...the challenge for the body is to figure out what the correct time is for the body based upon those bills, and perhaps at some later date, consider an evaluation of the other nontemporal restrictions. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Mitchell. Wow, that was a nice summary. Yes, Ms. Paltin?

COUNCILMEMBER PALTIN: I just had a point of clarification on his last statement.

CHAIR KAMA: Oh.

COUNCILMEMBER PALTIN: I was wondering if we have to constrain ourselves to the temporal right now? Because we're in Committee --

CHAIR KAMA: Yes, we are.

COUNCILMEMBER PALTIN: -- and we heard all of the--I mean, we...not all, but we heard a number of nontemporal inputs --

CHAIR KAMA: Yes.

COUNCILMEMBER PALTIN: -- and it's fresh in our mind right now. So, I was wondering if it's off the table or off limits to, in addition to the temporal, speak about the nontemporal? I mean, it might be a lawyer question for a lawyer.

CHAIR KAMA: Carla? *(echoing)*

MS. NAKATA: Chair, Staff would agree that the subject-matter has been discussed at some length, I think, what the Director of Housing termed nontemporal deed restrictions. However, I think it would be wise to exercise caution as far as like trying to vote out a bill with those nontemporal restrictions right now. I think Staff would recommend that if the Committee decides to insert things other than what's been posted in terms--not necessarily the length of time, but in terms of the type of restriction, that we might want to consider posting that bill on a Committee agenda again so that the public can come and testify on it.

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CHAIR KAMA: Are you happy with that, or did you want to comment about...okay. Go ahead. Yeah.

COUNCILMEMBER PALTIN: I can agree with that. I would...I wouldn't mind to be cautious and give people the opportunity to input. But at the same time, if so many things are wrong and outdated, and we're only doing this little thing here, and this little thing here, and waiting for it all to come together to a good thing, I don't know that we'll get the effect that we --

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: -- want. And so, you know...and...and for me personally--I'm not going to speak for anybody else--I would be okay with working on taking the temporal and nontemporal together today, and just not passing it out and reposting it, you know, so that we are able to do that. Because it's kind of fresh in our minds, and some of us forget after a week on what we were talking about last week. And I think the crux of the issue is what we...we have 25 percent of market as our affordable to work with, and the market...anybody can do whatever they want with it. I mean hopefully they're not using it as speculative inventories. But the 25 percent of the market we have is a small number, and if temporal restrictions aren't the way to protect that investment for our workforce that wants to own a house--because we're not really talking about rentals too much--then personally, I think we should try our best to do it comprehensively...shouldn't take more time...but that's just me. I liked what was said about the owner-occupied in perpetuity, or 50 years, or whatever that is in combination with a deed restriction. I...I feel that there's a definite difference when we're talking about multifamily, or those high-rise apartments versus a single-family home. There's differences there. But I feel...I do feel like the pressure to protect our affordable home inventory from speculative, whether it's temporal or nontemporal restrictions.

CHAIR KAMA: Okay.

COUNCILMEMBER PALTIN: That...that's where I'm coming from.

CHAIR KAMA: Okay. So, we're in discussion, and Member Paltin had a clarifying question and that's how we ended up with her, but I think the discussion is good. So, let's continue with Member U'u-Hodgins, either on the same issue or something else.

VICE-CHAIR U'U-HODGINS: Actually, I don't disagree with anything Member Paltin said, that we should probably look at it holistically instead of piecemealing all of the issues. I don't disagree why we both had similar bills because we constantly spoke about deed restrictions, and usually only deed restrictions...and then through these last few Committee meetings, we've had an opportunity to discuss 2.96, 2.97 nearly--not necessarily as a whole, but better and a bit more in-depth. And I would rather do things right the first time than piecemeal. For instance--and I'll, you know, speak to my bill in a second--but I do prefer, let's say, my deed restriction timeline. It gives us some flexibility to allow builders to hopefully be able to finance their project, and at the same

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time, allow us to keep some homes in affordability. But I also like Member Paltin's language for multifamilies, and keeping that at a separate. And we heard from Hale Kaiola and how long 20 years is, and I don't think they're looking to cash out, but they were provided with maybe a substandard project because the developer, the home provider, had a difficult time financing. And those are all things worth discussing, no different than what we...Director Mitchell was saying, with all the nontime-restricted restrictions. And I've heard before that the 90 days is too long, and I know that it's other--or I'm sorry, the 90 days for us and our first right of refusal, I should clarify that, not assuming you guys are in my brain--is a little bit too long for people who could not afford their mortgage, and they want to sell. But three months is a lot long time, and I'm wondering if we could maybe talk about what is a better timeline for not only our County to buy that back, but also for people not to miss three months of their mortgage. But I'm happy to talk about all of that stuff today, and maybe come back with some sort of mesh and blend of all the things that have been discussed over the last few weeks, and give us the best opportunity to really protect our affordable housing. And I like that combination of...well, first, I do like alliteration because it sticks in your head, but production and protection. Let's find that balance. And I thought the last few Committee meetings gave us a good...I don't want to...like kick-start to this discussion, but thank you, Chair.

CHAIR KAMA: You're welcome. Chair Lee, discussion.

COUNCILMEMBER LEE: Yep. I agree with the previous speakers that it may be better to look at everything in a bigger view and try to deal with this, taking in more considerations than just the few that we were originally thinking of. And I'm...I'm happy to have that discussion next week or whenever you plan it.

CHAIR KAMA: Okay.

COUNCILMEMBER LEE: Thank you.

CHAIR KAMA: Yeah. Okay. Member Sugimura.

COUNCILMEMBER SUGIMURA: This certainly was a great education, right? And I like working with the Department, and to--yeah, so that we can, you know, cohesively come up with something that'll help our community...because that's what we're all trying to do. And...but the breadth of the resources was excellent, and for us not to look at it piecemeal that we have been, I...I think we all learned exactly what everybody's saying, is that the bigger picture is now before us, and how can we make this work? Yeah.

CHAIR KAMA: Okay. Let me see...do you want to say something, Remi?

COUNCILMEMBER SUGIMURA: Gabe Johnson.

CHAIR KAMA: Member Johnson? *(pause)*

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COUNCILMEMBER JOHNSON: Okay, Chair. Sure. I think the thing that I got...that I took away from this is, it sounded to me that residents who consider homes as long-term houses and a long-term place to stay have no problems with deed restrictions. It seems to be the folks who've been here two years, want to get in there, and that...that's the concern that I...I...I would...that's the thing that I really learned, is like locals don't mind a long-term deed restriction because they plan to live in that place forever, you know, and that makes...that makes perfect sense to me, what I...I've been hearing from my community. I'm curious about the idea of...you know, we...it just was brought up by some of our resources, the first-time homebuyer programs, to me, sounds like it needs to be revamped and pumped up because the numbers is--was it 30,000?

CHAIR KAMA: Yeah.

COUNCILMEMBER JOHNSON: And, you know --

CHAIR KAMA: Yeah.

COUNCILMEMBER JOHNSON: -- and that's...that's not...I'm sorry, 30,000 is not, in today's market, you know--you need a bigger chunk. And I think this...this Council has learned that on in the way we subsidize with Affordable Housing Funds, right? We have been giving bigger subsidies to our builders because the...because of the things that we're asking them to do. So, it...it makes sense to me that if we're really considering folks on a first-time homebuyer's program, we have to reevaluate that and give it a bigger...put a bigger pot in there. You know, because then it gets into that debate, do we subsidize the builder, or do we subsidize the buyer? Back and forth, and over and over again. I think the answer is yes, and--you do both, right? And the...the idea of having a long-term deed restriction is just so common sense to me that the idea that...okay. I...I say it all the time. We haven't had an affordable housing project on the Island of Lānaʻi for over 30 years. That means a 30-year deed restriction is up, and we still don't have...we still don't have units, right? So, a long-term deed restriction, and how slow we are to actually add to the...to the pot, the inventory of homes, gives us a chance to catch up because I kind of...what Councilmember Rawlins-Fernandez is saying is that I don't agree with the building-our-way-out-of-this kind of mentality because what--we ended up doing skyscrapers and comparing us to Honolulu? No, I don't...I don't really see our communities going that route either. I don't--and so, I think reasonable long-term deed restrictions for our people who live here, who want to live here for a long time, that's good use of our...of our tax dollars. That's exactly what we should be doing to try to help keep our people here. So, if you...if the body feels that they want to have kind of an omnibus bill . . . *(timer sounds)* . . . which we worked on in my freshman term, then that would be...it's a heavy lift, but this stuff is complicated. If you...if you fix this section, maybe you got to fix this section, and if...if they're going to work concurrently, then maybe a bigger...you know, a bigger bill is needed if...if that's what the body's preference is. But I heard at the time...I will just say this really reinforced my...my opinion that deed restrictions are needed for our residents who live here the longest. Thank you, Chair.

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CHAIR KAMA: You're welcome. So, we're going to continue with Member Keani Rawlins-Fernandez. Any discussion?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I don't really have...I--well, I...I guess I want to first say mahalo to our Housing Director Mitchell. I thought it was an excellent recap of the salient points that you took away, that I...I also, you know, felt were the important points. So, mahalo for that concise summary of the last--well, I guess that was this morning's meeting. I don't really have too much discussion. I would rather like start getting into like amendments and discussing those amendments and doing the work already, so I don't...I think everyone knows where I stand on everything, I've made that pretty clear. Mahalo, Chair. Appreciate this time to have the discussion, and...and I...I want to just start doing the work on figuring out the language. Mahalo.

CHAIR KAMA: Very good. Member Cook.

COUNCILMEMBER COOK: Thank you, Chair. I'm...I'm supportive of doing this comprehensively, and I'll just...my...I'm in agreement that deed restrictions are a tool and necessary. I thought that our resource people...it was great to have such a wide variety, and to get that perspective. The fact that FHA...raising the shared equity proportion and perspective of this would be impacting to the interest rate. So, that's a big deal, is to be able to increase the shared equity, but to be able to weigh out and balance what is the...does it open the door wider for people to be able to qualify and have a lower rate? But there seems to be a lot of moving parts. I'm not a real estate person, so I'm learning a lot as we go. I want to...I'd like to focus on the fact that...the protection and the production. The protection function of deed restrictions, and subsidies, and the mechanics of sort of controlling...influencing the purchase and the sale of properties, overarching to mitigate, minimize, and eliminate speculation in our local housing so that people are being able to buy and sell homes, but it isn't like an auction, okay? I feel that the way that we currently have--and I'll quote...I forgot which person said it, but that Maui is noted to have the most restrictive land use and permitting processes.

CHAIR KAMA: Um-hum.

COUNCILMEMBER COOK: I feel that...I feel...I'm concerned that as we are increasing subsidies and...and massaging these factors to enable people to have homes, we're kind of subsidizing the inefficiency, the ineffectiveness of our current processes. It seemed like comprehensive rezoning, that's something that I believe Jordan Hart, from the Planning Director--I mean...I...I must share, he had the biggest grin when I mentioned, would that help? So, I'm just saying, someone who's experienced and is involved, he's like, yes, that's a big deal. So, I'm just sharing my thoughts of this, people, that as we look at this, I feel that in order for us to be really effective and get the most value for the public funds, and to be the most effective in getting our--meeting our goal and objective, which is to have our local residents be able to have permanent, secure housing . . .(timer sounds). . . for generations, that we need to also focus on those aspects. My time's up.

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CHAIR KAMA: Thank you. So, we're going to continue with Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. Yeah, I took some notes too, and as I had stated in...by some of my questioning, that we had just experienced or lived through the worst fire in our modern Hawaiian history. And again, \$4 billion are available in the Maui settlement proceedings, as well as another \$1.6 billion of CDBG Disaster Recovery funding slated for the Lāhainā rebuild. So, Chair, all these massive investments are being put into our local economy, and even the Recovery Director has made it very clear that deed restrictions will be a major part in securing the rebuilding of...of homes for our local residents, and not for outside speculators. After all, Chair, who would want to squander all of those investments toward the open market, and not secure these investments for our future generations of Maui residents? And we are in a tourism economy, Chair, whether we like it or not. Maui County has been on the Condé Nast list of top destinations for many years; practically everyone in the world would want a Maui address, including Lānaʻi and Molokaʻi; and at every NACo Conference that we visit, those tourist economies, including Colorado, are experiencing these housing shortages to short-term rentals for...that we need for important workers like nurses, teachers, doctors, firemen, and emergency personnel. Our local residents are moving to the mainland every time an affordable unit flips to the market rate. And Chair, the simple reality from what I got is that we just cannot afford half a million to \$800,000 homes. Our wages just don't add up. And so, I liked what Mr. Chu had stated. I agree that deed restrictions benefit our future generations of Maui County residents. They stabilize our neighborhoods. They establish long-term routes to plant. Deed restrictions will keep our local families home, and in turn, contribute to a vital local economy, including retaining our worker housing. But Chair, it was nice to hear from all the industry professionals today, and...and to hear from their challenges and their personal experiences. And I do agree that we should work to protect our affordable housing stock, and not just sell it on the market...open market, and lose our island population and our workers. So...but that said, I...I too am looking forward to working with each individual affordable housing project that we review and try to kind of make it work. . . .(timer sounds). . . It seems like every...every project will be different that way, Chair.

CHAIR KAMA: Um-hum.

COUNCILMEMBER SINENCI: Thank you.

CHAIR KAMA: You're welcome. So, one of the things I heard Mr. Chu say also was that it was...that deed restrictions are a tool to be used selectively, right? And he was talking about in certain geographical locations, it makes sense to use deed restrictions. But in places that where we know people are going to live forever and ever, you don't need it because people will always live in that home, they are going to pass it on to their children, and their grandchildren, and it'll become generational homes. So, those are some of the things...that's what I took away, besides all the other things that...that Remi had mentioned, and all...you all had...had heard this morning too. And there's a whole bunch of other stuff, too, that I learned in terms of what I heard, but I think one of the things that I want to get back to is Member Paltin's discussion about wanting to make sure we don't lose the momentum of what we've learned here, but how do we...how do

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we include, at some point in time, the nontemporal discussion that we had, and...and...and take care of first things first, which is the bills that are before us? So, James, how do--okay. Is it possible to do that within a week, or do we have to wait? Because this will be...next week, Wednesday will be our last HLU meeting, and then we go into budget, right? And then once we go to budget, we're going to lose momentum and all of that. So, is it possible to do what we're trying to do within a week, or no?

MR. KRUEGER: Chair, apologies. I think that Staff...I'm not prepared to answer that right now.

CHAIR KAMA: Okay.

MR. KRUEGER: Do you think we could request a brief recess to --

CHAIR KAMA: Sure.

MR. KRUEGER: -- confer with you on the matter?

CHAIR KAMA: Yeah. Okay. Let's take a ten-minute recess. It is now 2:09, to 2:20. Recess. . . .(gavel). . .

RECESS: 2:09 p.m.

RECONVENE: 2:23 p.m.

CHAIR KAMA: . . .(gavel). . . Will the HLU Committee meeting of March 13th reconvene. It is now 2:23 p.m. And thank you, Members, for that short intermission. So, I want to thank Member Rawlins-Fernandez for the offer through her text message that you all heard her tell me to "read my text message." And she has been...she had offered her time slot, which is normally next week Thursday. So, she's going to have her KA'Ā meeting, and after that KA'Ā meeting is over, she's going to offer us her 2:30 slot. So, I just want to know if there are Members who would be available because Member Rawlins-Fernandez's meeting is a seven-Member Committee, and we'd like to make sure that we can have more people participate if we're able to do this. So...it's March 20th. Yes. Member Paltin.

COUNCILMEMBER PALTIN: Yes, I would be available. I just got a noon appointment to give blood.

CHAIR KAMA: Oh, okay. So, we're going to...we're going to...we're going to convene at 2:30, or right after Member Rawlins-Fernandez. Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Only Member Johnson and Member U'u-Hodgins are Non-Voting Members, so all the other Members are Voting Members and should be available for my meeting because they didn't know that it was only going to be an hour.

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CHAIR KAMA: Oh, see, I...I guess...I guess they're now knowing that it's...your meeting's going to be an hour, and the meeting following your meeting is going to be three hours. No, I'm just kidding. It's going to be as long as we want it to be. So, in order for that to happen, we have to post a new...a new agenda and a new bill, give members of the public an opportunity to testify on this. But even in order for us to have something by next week Thursday, Staff is asking us to be able to speak about...or speak to those things that you would like to have in the bill today. Because technically, what's come off from the past few meetings we've had is the evolution of what we are now doing with deed restrictions. So, what we're going to be doing now is, we're going to be still talking about workforce housing and deed restrictions, but these are additional protections that we're adding. So, it's not like...we're not doing anything out of the ordinary. Through the evolution of it all, we found that we need more protections because that's what we heard from our resources...and that's why we're going to have to post a new agenda and go through that whole process again next week Thursday. So, is that correct, James? Thank you. So, Members are you...will you be available? I...okay. Okay. Okay. Okay. Okay. So, next week Thursday. We're still going to have our HLU meeting on the 19th, and then...oh, no, well...well, no, because don't we have to...yeah, we have to pass out this, right?

MR. KRUEGER: Chair, it...it's...it's up to the body what it wants to do with this item that we've posted today, but I think, Chair, what...what you were mentioning to the Committee was perhaps discussing what would be needed to craft a new bill that you would --

CHAIR KAMA: Yeah.

MR. KRUEGER: -- post for the 20th, on Thursday. So, if...you know, the...the 19th meeting may not be needed, depending on what the Committee wants to do.

CHAIR KAMA: Oh. Well, if that's the case, then we should do it on the 19th if we're able--I mean, that's what I'm thinking, right? Yeah.

MR. KRUEGER: Chair, I...I suppose the challenge for Staff is, we likely do not have enough time to jump through all of the administrative hoops necessary to post today for the 19th.

CHAIR KAMA: Okay. Okay.

MR. KRUEGER: But we could make the 20th happen.

CHAIR KAMA: Okay. Well, okay. Well, let's just continue our discussion, and figure out how...where we're going to land at the end of the day, right? Okay. So, who did we leave off with?

COUNCILMEMBER RAWLINS-FERNANDEZ: I think we left off with you, Chair. I think everyone had an opportunity to speak --

CHAIR KAMA: I --

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COUNCILMEMBER RAWLINS-FERNANDEZ: -- before we went to recess.

CHAIR KAMA: I remember...I remember speaking about --

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah.

CHAIR KAMA: -- the...the tool used selectively. Yes. Yes, Member Paltin?

COUNCILMEMBER PALTIN: Okay. If we're brainstorming for a --

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: -- comprehensive one, the way I see specific categories would be like what are our...what are we thinking for multifamily, or duplex...whatever, you know, not single-family...multifamily or single-family. And then also County-owned versus not County-owned. And then maybe also projects that get affordable housing subsidy versus those that don't take any affordable housing subsidy. And...and so, that's just my...sorry, initial brainstorm of categories, that we shouldn't treat them all the same, that if it's a multifamily or single-family, if it's County-owned or not County-owned, and if it's...gets an Affordable Housing Fund subsidy and doesn't get an affordable housing fund subsidy. So, I'll just leave it at that. I see Member Johnson has his hand up.

CHAIR KAMA: Member Johnson, yes.

COUNCILMEMBER JOHNSON: Thank you, Chair. I...I think that's a good start. I also want to have the body consider that some of the bills that we passed, Bill 111 having a residential preference list, you know; Bill 107 keeping it truly affordable around a 30 percent AMI...or 30...30 percent income; and of course, Bill 61, using...using the Affordable Housing Fund to pay off bonds when it comes to affordable housing for infrastructure. I mean, these are...these are all very important bills that I hope the Administration starts pushing for the portal for the Bill 111 that gives the residential preference, because again, with what the folks were saying, it seems like our long-term residents don't mind long-term deed restrictions. So, what Councilmember Paltin mentioned, I...I am here to have that discussion. I totally think those are important things to talk about. But also, hopefully, the Administration can really come in with some of these bills that we worked on to give that moving list of...of where the people stand, and who...who gets priority. Those are all things to be considered. Thank you, Chair.

CHAIR KAMA: Um-hum. Thank you. Okay. So, let's go back to Member...Chair Lee, and we'll work down everybody according to your seating. Chair Lee.

COUNCILMEMBER LEE: Can I ask for...the Director a question?

CHAIR KAMA: Sure.

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COUNCILMEMBER LEE: Okay. Director Mitchell, I think in 2.96, there is a section on deed restrictions?

MR. MITCHELL: Thank you for the question, Chair Lee. That's correct.

COUNCILMEMBER LEE: And then...so, but you apply that across the board for all projects under 2.96? Plus, you use that as a template for other agreements, yeah?

MR. MITCHELL: That's my understanding. Correct.

COUNCILMEMBER LEE: Okay. But there are no variations. It's just one shoe fits all?

MR. MITCHELL: That's correct, Chair Lee.

COUNCILMEMBER LEE: Okay. All right. And can you repeat what...what that is? That's...that's the same template we use for 201Hs and 2.97s as well, 2.96, right?

MR. MITCHELL: So, no. The restrictions for the 201H would be based upon that State statute, so they're...they're different than our 2.96.

COUNCILMEMBER LEE: Okay. So, that...that one --

CHAIR KAMA: 2.97.

COUNCILMEMBER LEE: -- has different --

MR. MITCHELL: Correct.

COUNCILMEMBER LEE: -- deed restrictions?

MR. MITCHELL: Correct.

COUNCILMEMBER LEE: Can you tell us what that is?

MR. MITCHELL: I can provide them for our next meeting.

COUNCILMEMBER LEE: Okay. That would be great.

CHAIR KAMA: Okay.

COUNCILMEMBER LEE: That's all I have. Thank you.

CHAIR KAMA: Okay. Thank you. Member Sugimura.

COUNCILMEMBER SUGIMURA: I'll...I'll...let me think about it.

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CHAIR KAMA: Okay. Okay. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. The other...I don't know if we should just stay on that, the multifamily, single-family, County-owned, non-County-owned, Affordable Housing Fund or not Affordable Housing Fund. But the other portions of it were being able to address the 90-day buy-back period, whether or not, like, you know, we can make a decision within 30 days, and then set aside the money for the expenses for the next 60 days, you know, or where we front it, and then we get it back out of the purchase price or something like that so that they're not like oh, my goodness, I can't afford to...the carrying costs and stuff like that, and then a longer period of owner-occupation. Because what we're trying to build with our small amount of affordable housing is housing for the people that live and work here. So, you know, in the other market-rate homes, you want to turn it into a rental, build generational wealth, we--that's your kuleana because you paid for it, but this affordable housing, we only have so little bit amount. I think it behooves us to have either owner-occupied in perpetuity with some restrictions for like, you know, military service or off-island medical treatment, and things like that, but in--at least we're ensuring that people that live and work here, at least until they retire or whatever, have an opportunity for home ownership. And...and, you know, that's not to say you can't build generational wealth. The hardest part, I think, is that 50 percent equity. I...I'm not sure how we address that because by doing 50 percent shared equity, we're...we're significantly raising the cost of what was once affordable homes, although...I mean, I guess it's better than just going out on the open market, but it...it doesn't accomplish keeping the...the value down for the next buyer. So, I'm not sure how to address that, but I'm not...and I'm not sure if we can address the buy-back period. And I think we could address the owner-occupied in here --

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: -- but maybe the buy-back period has to go with the first-time homebuyers, which I don't think we can address in this because that section is not under 2.96, the first-time homebuyer's part of it, but maybe we can introduce that at the Thursday meeting so that it is a comprehensive thing where we up the money. And in the...the buy-back period, if we need to allocate . . .*(timer sounds)*. . . for a certain amount of our Affordable Housing Funds so that we're always ready to take action.

CHAIR KAMA: Um-hum. *(pause)* Okay. Member Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. So, I...I started thinking of some things that we would like to consider. You know, deed restrictions on folks who are getting the first-time homebuyer's monies, that might be something to consider. And the idea that builders get LIHTC money, Low-Income Tax Credit, and what does that mean for...what do they do with that? They can take and build a mansion or something above-market, and they can use that tax credits for those units, so why wouldn't we put a deed restriction on LIHTC projects? Because at the end of the day, we're producing mansion...the...the...the mansions get made at the end of the day, and there's...they're going to be there forever, whereas these deed...these homes that could have a deed restriction, we could keep them in that island of affordability for a bit longer. Those are

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some things to consider. Then I started going--I was like, you know, I almost feel like there's...we put deed restrictions on all these other things, but maybe we could focus on what not to put deed restrictions on, like 100 percent affordable, you know, no...no money taken from government coffers. I don't know. Because there seems to be like a good reason for deed restrictions for all of these things that...so maybe it's looking at it like what wouldn't require a deed restriction? I don't know what is the easier route to go because I keep thinking like LIHTC, on one side you get...yeah, it gets...it gets good...good units, but you're also at the cost of...of a mansion. And I think LIHTC now might be 60-years deed restriction, so maybe that's already taken care of out of that. But I'm just--knowing that LIHTC can go for, you know, multiple million-dollar homes. So, I just wanted to add that. Thank you, Chair.

CHAIR KAMA: Okay. Thank you. Okay. Now, we're back--yes. Chair Lee? I'm sorry.

COUNCILMEMBER LEE: No, when my turn is.

CHAIR KAMA: Oh, okay.

COUNCILMEMBER LEE: I'm just...

CHAIR KAMA: So, we're back to you, Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. I'm...I...I'm not...I know what we're doing, but it's interesting. Okay. So, I have...I've...I've been noting down what we're all talking about, and I'm just going to say all the things in case...okay. So, we have the deed restrictions, those are the bills before us on affordability; and then like resale restrictions; and then deed restrictions on the use, so owner-occupied; and then deed restrictions, like InDEED, the voluntary deed restrictions. So, I don't know if that's--it would go all in here, if...if this is some kind of an omnibus bill. . . .(timer sounds). . . And then under...that can't be my bell. . . .(laughing). . .

CHAIR KAMA: That's Alice's bell. No, no. Only kidding. It was a mistake.

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .(laughing). . .

CHAIR KAMA: . . .(laughing). . . It was...it was a mistake.

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .(laughing). . . In 2.96, eliminating housing credits. Sorry. Okay. And then I...I don't know if we need to put in the Code a leasehold program. Is that something, Director Mitchell, that we would need to put in the Code, or is that something that would be like in administrative rules?

MR. MITCHELL: Thank you for the --

CHAIR KAMA: Yes.

MR. MITCHELL: -- question, Chair --

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CHAIR KAMA: Yes.

MR. MITCHELL: -- and Member Rawlins-Fernandez. You know, I don't know the answer to that question, in part because I don't know if we have provisions relating to the County having a leaseback...or a leasehold program in the Code. So, I need to look at that first, and then I'll be able to answer the question.

COUNCILMEMBER RAWLINS-FERNANDEZ: I think the answer is no. I don't think we have that.

CHAIR KAMA: Um-hum. Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: But it's not my final answer, that's just what I think. . . .*(laughing)*. . . I think we were talking...I...I don't know if this was mentioned, but...so, we have like some like teacher housing, healthcare worker housing. We have some police and fire housing, and we had talked about, like, you know, investing a little more in that. I know the teacher and police housing here really needs some attention on Moloka'i, and I think Lāna'i and Hāna, too. Yes. Yes. Okay. And then...let's see what we have. Okay. And I agree with the down payment assistance, reassessing that to increase it from 30,000. And I think that's everything. Oh, and before I forget, a resident from Kaiolu...Kaiola contacted me to--or emailed me explaining the high cost. And so, I think 2.96, by having market and the higher AMI subsidize the lower AMI housing. Because she sent a list of the...the...the prices of all the houses, and...you know, like...so it's like over, you know, 600,000, and then you have some that's like 300,000. I think that kind of creates more of a problem too, instead of, you know, taking...requesting Affordable Housing Fund to subsidize and putting it on the cost of the higher AMI in the market, that it artificially inflates the...the housing cost. But I wanted to ask, if you would allow...I wanted to clarify with Member U'u-Hodgins because I heard in her initial comments that the Kaiolu [*sic*] project, the substandard construction was due to its challenging in financing, and I didn't hear that. I didn't hear anyone say that in our meetings, so I don't know if that was like outside. . . .*(timer sounds)*. . .

VICE-CHAIR U'U-HODGINS: Oh, perfect timing.

CHAIR KAMA: Did ---

VICE-CHAIR U'U-HODGINS: Can I answer that?

CHAIR KAMA: Yes, by all means.

VICE-CHAIR U'U-HODGINS: Yeah, that was the issue. They had to self-finance because they had a hard time getting construction loans. And they had--that is a 2.97 project, so it's like all affordable housing. They didn't have any market rates. But yeah, that's what I understood was the main issue. And because of their inability to finance, they were...unfortunately, the homebuyers were provided with what they now feel is a

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substandard product, where they were supposed to have all these amenities, and then they couldn't have it. And then they're supposed to have individual water meters--which I didn't know any of that detail--I just knew that they had a difficult time financing. And then listening to the testimony, they gave us, I guess, the unfortunate details. But yeah, that's what...that's what I understood to happen.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Member U'u-Hodgins.

CHAIR KAMA: Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

VICE-CHAIR U'U-HODGINS: Yeah.

CHAIR KAMA: Thank you.

VICE-CHAIR U'U-HODGINS: Thank you for allowing me to explain that.

CHAIR KAMA: Member Sinenci?

VICE-CHAIR U'U-HODGINS: Oh, wait, can I --

COUNCILMEMBER RAWLINS-FERNANDEZ: And Chair, I see Ms. Toshikiyo with her hand up.

CHAIR KAMA: Oh. Oh. Okay. Ms. Toshikiyo?

MS. TOSHIKIYO: Yeah, sorry. Thank you, Chair. I just wanted to point something out because it's come up a couple of times. A couple of Members raised the issue about the first-time homebuyers, the \$30,000 limit. And it's not within the Maui County Code, that limit is within the condition in the Fiscal Year Budget.

CHAIR KAMA: Oh.

MS. TOSHIKIYO: It's under the Special Revenue Funds. That's been a condition that says it's disbursement of grants up to \$30,000 each. So, that's where that limitation comes in. I'm not sure if that's an internal policy decision from the...the Department, but that's kind of where it stems from. It's not in the...coming from the Code.

CHAIR KAMA: Oh.

COUNCILMEMBER JOHNSON: Thank you, Ms. Toshikiyo.

CHAIR KAMA: Good to know. Yeah. Thank you.

VICE-CHAIR U'U-HODGINS: Chair, I'm not...I'm not done, though. Can I continue?

CHAIR KAMA: Oh, okay. Go ahead.

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VICE-CHAIR U‘U-HODGINS: Thank you. I just want to point out, we've had so much discussion, and I don't disagree with Member Johnson that our long-term residents probably don't need a deed restriction because the opportunity to live here is, I mean, such a blessing for most of us. But what I will say is because of our lack of water availability, not every place on this island has equal access to affordable housing. The reason why we still have my...my family's--well, we didn't call it affordable then, it was literally just called low-income housing--was because they built it in Pā‘ia, where we're from. And we never needed to consider selling because I never...I would never want to move out of Pā‘ia, but I didn't have that opportunity to continue to live in Pā‘ia. Right now, the only place that we collectively are building affordable housing is in town, in Kihei, and right now, rightfully so, in Lāhainā. But as somebody who grew up Upcountry, somebody who's proudly from Pā‘ia, every place else is cool, don't get me wrong, but that's not where I want to live forever. I would love the ability to move up to where I actually really want to live. Nothing against town. Please take no offense. Nothing against Kihei. Nothing against Lāhainā. All beautiful places, but not...not where I consider my home. Not where I know the people like the back of my hand. Not like where I know the roads like the back of my hand. And so, given the opportunity, if--because we have so little--I would buy some place just to give my family stability like I have. But if something came up Upcountry in Pā‘ia, I would want to go. I would want to go where I'm from. And I'm from Maui, but specifically, I'm from Pā‘ia. And I've been priced out of Pā‘ia. We haven't had affordable housing in Pā‘ia in...since the '70s. We still have the same one.

CHAIR KAMA: Yeah.

VICE-CHAIR U‘U-HODGINS: Upcountry, we have Kulamalu, and that's multifamily, you know? And I have four kids. Sometimes I talk loudly, and I don't really want to live next to people like this close --

CHAIR KAMA: . . .*(laughing)*. . .

VICE-CHAIR U‘U-HODGINS: -- you know, because I talk loudly. But my point is, is that location, location, location is absolutely true. And I...I completely agree that most people are going to want to stay here forever, but...like I have to take care of my grandma. The fact that she's five minutes down the road from my parent's house is huge. And if I...like, my aunty lived in Lāhainā, and she had a hard time coming out this side sometimes. You know, it's rough. So, I just want to remind everybody like I don't disagree. For majority of us, we're going to stay home. But when Upcountry starts hopefully having some homes, I want Upcountry people to go home. But I do actually have a specific question after I went on my little tangent. Part of 2.96 is this income group distribution, where we have 50...30 percent, 50 percent, and 20 percent below-moderate and . . .*(timer sounds)*. . . above-moderate. Can I please continue? Sorry.

CHAIR KAMA: Yes, by all means. Please.

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VICE-CHAIR U‘U-HODGINS: How is that 30, 50, and 20 percent working out for us? We hear so much that our firemen, our nurses, as Member Rawlins-Fernandez was just talking about--but for two professionals living together--a fireman and a nurse, let's say --

CHAIR KAMA: Um-hum.

VICE-CHAIR U‘U-HODGINS: -- they don't qualify for much. And right now, they're teetering in above-market, and that's only 20 percent. And that is...they have a stable income, but only 20 percent of our 2.96 projects. And that's 20 percent of the whole thing, and then 20 percent of that 20 percent, so we're only talking about very few homes. But that's our workforce professionals, and they are getting a very slim opportunity --

CHAIR KAMA: Yep.

VICE-CHAIR U‘U-HODGINS: -- to buy homes. And I said this the last time, my husband and I probably wouldn't qualify or we--that's exactly who I'm talking about. And we have to compete in the open market, which we cannot compete in the open market. So, I just wanted your opinion on how that income group distribution is working, and if we might need to consider more flexibility there.

MR. MITCHELL: Thank you, Chair Kama, and thank you, Member U‘u-Hodgins. I don't, to answer your question immediately, have the data in front of me to justify a fair answer.

CHAIR KAMA: Um-hum.

MR. MITCHELL: But I, like you, could look at what's happening in the market, and surmise that we are not providing a number of units necessary for the right income brackets. I just don't have the data to prove it, so --

VICE-CHAIR U‘U-HODGINS: Me too.

MR. MITCHELL: Okay. All right. . . .(laughing). . . Thank you.

VICE-CHAIR U‘U-HODGINS: Thank you.

CHAIR KAMA: Okay. So, now we're going to go back to Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. In our meeting this morning, Mr. Rasmussen talked about having affordable units that weren't being sold. And so, I did...I mean, we did--and...and Member Johnson did mention Bill 111 on the...on the residential list. And so...and...and of course, Ms. Paleka and Ms. Lee [sic] were also talking about first...First-Time Home Buyer's loans, FHA loans, those types of things, so I don't know if maybe having that addressed somewhere as we move forward? Member Johnson did say...mentioned the portal. Maybe these types of information could also be placed on the portal for...for first-time homebuyers. And then on Monday, Chair, Mr. Savio spoke about the way he kept his homes at...at built prices was he gave a home...tax exemptions to...to buyers, so I don't know if this is something that...you know, just to

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encourage people to buy the deed restrictions, that, hey, you get...you get a tax exemption, as he had mentioned in Monday's meeting, if you...if you purchase a deed-restricted home. He also mentioned about also increasing taxes for second homes and empty homes as well to help pave...to help subsidize some of the affordable units. So, those are just some of the other notes I took, and maybe we could address moving forward. Thank you.

CHAIR KAMA: Thank you, Mr. Sinenci. Okay. Member Lee.

COUNCILMEMBER LEE: Thank you. I think we...we need to bifurcate County projects or County government projects and private projects because I can see us moving in the direction that the Councils of the past have always done. They try to fix one thing, and they make...and they end up making everything more restrictive.

CHAIR KAMA: Um-hum.

COUNCILMEMBER LEE: And we already heard from everybody that it's very difficult to build homes on Maui at...at a reasonable price. Because of the incredible amount of time it takes to get projects through the system, it becomes extraordinarily expensive, not to mention all the other influences around the world, and with our beloved new President making things harder and harder and more chaotic. So, if we're going to start talking about, for instance, increasing the number of units, let's say, as Member U'u-Hodgins talked about, from 20 percent or more, increasing the number of required affordable housing, then I think that should pertain to County housing or State housing. Because if the private developer cannot afford providing the homes now, imagine if they were burdened with more affordable homes. It's just...it's not going to work. It's just not going to work. So, you know, maybe we can say, we need one set of standards for a County housing, and one set of standards for a private building where there is less...less or no subsidies...and when there is more subsidies, then there could be a different standard. But I was...I was very concerned because there's always that tendency, when you open this can, it might turn out to be worms, or it might turn out to be flowers, you know? Something successful and effective. But it's...it's very...it's very dangerous to go down the path of...of revising a lot of established ordinances if you're only going to make things stricter because we already...we already know. Oh, did I misspeak?

VICE-CHAIR U'U-HODGINS: Yeah.

COUNCILMEMBER LEE: Oh, okay.

VICE-CHAIR U'U-HODGINS: Yeah, I wasn't --

COUNCILMEMBER LEE: I thought you said 20 percent.

VICE-CHAIR U'U-HODGINS: Oh, that's because--so, I understand that 2.96 deals with the 20 percent of the homes in general. As you might remember, my dad was on that Committee, and I have heard at nauseum [sic] why it was changed over dinners. But no, my question was more the 20 percent of the affordable units that are created in

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2.96, only 20 percent of that 20 is for the above-moderate-income residents. So, I was just asking his thoughts for flexibility with that 20 percent and 2.96 that we recognize, and having greater flexibility to address more of the AMI brackets instead of 20 percent of --

COUNCILMEMBER LEE: Okay.

VICE-CHAIR U‘U-HODGINS: -- 30 percent --

COUNCILMEMBER LEE: I --

VICE-CHAIR U‘U-HODGINS: -- 50 percent --

COUNCILMEMBER LEE: Yeah, I understand that.

VICE-CHAIR U‘U-HODGINS: -- and 20 percent. Yeah.

COUNCILMEMBER LEE: It's just harder...it's hard to qualify people when you start breaking down the brackets too much.

VICE-CHAIR U‘U-HODGINS: It's already --

COUNCILMEMBER LEE: But we can discuss that.

VICE-CHAIR U‘U-HODGINS: Yeah, it's already done. So, in my head, if we are able to provide for higher AMI, we would be able to qualify more people, and would be able to build more homes if we better address the gap income homes that aren't being created.

COUNCILMEMBER LEE: Okay. And then the other thing that I actually raised my hand --

VICE-CHAIR U‘U-HODGINS: Thank you.

COUNCILMEMBER LEE: -- for--I...I really wasn't planning to ...*(laughing)*... have a discussion with Member U‘u-Hodgins--was I think we need to revisit the shared equity formula. Because I have received a bunch of complaints from regular people who said they bought into affordable housing projects, and with the current system, they can...they can refinance their...their mortgages . . .*(timer sounds)*. . . but they can't take out equity. And let's take a look at that. I think we need to take a look at that. It...it might get complicated, but I think it's worth looking at. Thank you.

CHAIR KAMA: Member Sugimura?

COUNCILMEMBER SUGIMURA: Pass.

CHAIR KAMA: Member Paltin.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . . you got that notice of YMCA?

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COUNCILMEMBER PALTIN: For the AMI question, to Member U‘u-Hodgins' point --

COUNCILMEMBER SUGIMURA: I did say something.

COUNCILMEMBER PALTIN: -- I think for me, I feel comfortable with starting on longer deed restrictions, with that flexibility on being able to sell to whatever AMI that you can find a qualified buyer at is where I would start, I guess, and see how that goes, while maybe the research is done as to where we need to go for the AMI distribution. I think in general, like LIHTC projects for 60 percent and below, or like how Mr. Bigley recently said, you could go 80 percent and below --

CHAIR KAMA: Um-hum.

COUNCILMEMBER PALTIN: -- if that's the case, then we should focus on the 80 percent and below as rentals more so, and...and maybe 80 percent and above towards home ownership more so, and provide the 80 percent and...well, provide everybody with the education needed to...to get to home ownership if that's where they want to get to. Like what...whatever your AMI is, how do you get towards home ownership? Oh.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

COUNCILMEMBER PALTIN: And--oh.

COUNCILMEMBER LEE: Oh, because I'm waiting.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

COUNCILMEMBER PALTIN: So, I mean, I don't know everybody else's comfort level, but if...if the fear, from what I heard of the Hale Kaiola folks, is being able to find an income-qualified buyer, and we grant that flexibility to find any affordable AMI, then would it fit the 20-year deed restriction? And then also, lessening that 90-day buy-back period so if they aren't able to find an income-qualified buyer, the County takes steps to not have them carry that cost for 90 days. As soon as we decide, yes, we want to move on this, we can front them, you know, their monthly fees that would get taken out of the purchase price, possibly? I would...I would feel comfortable with...with moving in that direction as a step one, and...and seeing how it works out in terms of adjusting--and also, the research on what AMI is, really. Because I think each AMI category has like 45 days; is that correct? If...if we don't find any income-qualified buyer in the 80 percent . . .*(timer sounds)*. . . AMI category in 45 days, it goes up to the next one? So, I mean, we should have the data on where a majority of the homes...what AMI they sell in. Just throwing that out there.

COUNCILMEMBER LEE: Clarification?

COUNCILMEMBER PALTIN: For me?

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COUNCILMEMBER LEE: Yeah.

COUNCILMEMBER PALTIN: Oh, okay.

CHAIR KAMA: Chair Lee?

COUNCILMEMBER LEE: Okay. I...did I hear you say something about seeing if the LIHTC credits could be...tax credits could be applied to the 80 percent...instead of just the 60, go all the way up to 80?

COUNCILMEMBER PALTIN: Yeah, I thought that's what Mr. Bigley had said when we were discussing in Member Sugimura's Committee about the Kaiaulu O Nāpili [sic], that LIHTC now could be used for 80 percent and below?

COUNCILMEMBER SUGIMURA: . . .*(inaudible)*. . .

COUNCILMEMBER LEE: Okay. But --

COUNCILMEMBER PALTIN: I thought he said HHFDC allowed for that, not --

COUNCILMEMBER LEE: Yeah, it doesn't. Because I was on the Committee that screened all the applications. Now, things may have changed, but --

COUNCILMEMBER PALTIN: I thought things changed.

COUNCILMEMBER LEE: -- the guys...the people who have the projects that serve the lower...the lowest population get the...they're the ones in the front--I mean, they get the priority. Anybody with higher-priced projects have less of a chance.

COUNCILMEMBER PALTIN: So, I...I thought he said that HHFDC now let the funding source he was going after service 80 percent and below. That's what I had heard on Tuesday.

COUNCILMEMBER LEE: Maybe they changed it.

CHAIR KAMA: Or maybe we should ask Mr. Chu that, yeah?

COUNCILMEMBER PALTIN: Shoot. Yeah. Can we do that under your Committee --

CHAIR KAMA: Sure.

COUNCILMEMBER PALTIN: -- signature?

CHAIR KAMA: Member U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: I'm so glad that my one question sparked so many conversations. This is what I actually really do like. This is why I like being in this Committee, like everybody has great questions, and it sparks all this other conversation. I guess I didn't

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add, which I should add, that the beginning sentence of the income group distribution little section there starts off with, unless an exemption is granted by the Director, which is why I was asking Remi his opinion, which would give the housing providers some flexibility in construction loans if they're able to provide for a higher AMI. But no pressure to answer now. Clearly, this is a huge discussion, but, you know, I just wanted to put that out there, that that is a possibility. If we had a home provider who was like hey, listen, this works best, or this is what the market allows me to do better, especially if we consider increasing our deed restrictions, and what that's going to look like to be able to finance projects. But I also wanted to add that 201H, I believe their deed restriction is ten years blanket. No AMI, but it's ten years. And so, if we--I don't want to go down the rabbit hole of assumptions--but depending on how things go in State [sic] and House right now, if we are unable to make too many changes to 201H, we may see home providers not use the 2.96, or not use the 2.97, and only go with 2...201H if they have a hard time financing under our structure, and we may lose our ability to actively participate in the building of affordable homes for our own people. So, again, I don't want to go down the rabbit hole of assumption, but that might be a possibility we might need to consider. But otherwise, I'm happy to look at what shared appreciation looks like and figure out how people who buy the homes, who honestly take a huge risk personally, as we heard from the residents of Hale Kaiola. \$5,000 a month? Bananas. And I would love to see them actualize and realize their own investment. We, as a County, and as a people, make an investment into the individuals and their home prices, and so do they. And so did my grandparents, and so did all of our grandparents who've been paying into our property taxes for so long. So, when we're talking about generational residents being able to afford a house under the affordable housing unit, yeah, we say it's like they won a lottery, but at the same time, if you've been working for a long time, and your parents, and your grandparents, and right now we can't build homes anymore, really, all . . . (timer sounds). . . you're doing is realizing how much taxes your family has put in so that you can buy this one house right now. Thanks, Chair.

CHAIR KAMA: You're welcome. Okay. So, I think we're back--Member Johnson, I see your hand is raised. Yes.

COUNCILMEMBER JOHNSON: Thank you, Chair. I...I'll try and address some of those talking points earlier. I'm pretty sure that we changed the bill and the omnibus bill for the units, it's every 90 days that it sits, if it doesn't get sold, then it can move up to another bracket. I'm pretty sure it's 90 from 45. The...the idea that a lot of the red tape has been getting in the way of affordable housing, I mean, I was just looking...looking back on some of the...the places. Pulelehua doesn't have water. Hawaiian Homes, the infrastructure is the problem. Lānaʻi is fully entitled, and it's the infrastructure, right? So, I don't know if the red tape has been stopping some of these projects, it's been...just been County has to kick in for infrastructure. Peter Savio was really articulate in...in saying, you know, I do vertical, I build the house. And he--you know, I've heard the numbers, seeing it cost 400, \$500,000 for a builder to build a house. But if you say you've got to build all the infrastructure to that house, it--that's when it doesn't pencil out. So, the County has to kick in in its infrastructure. We have to do...we have to do that for the...for...so, I think it...for it to work, the County has to kick in the big dollars for the infrastructure, and then it kind of has a nice flow, where we're protecting these

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homes that we have spent so much on to have a good deed restriction to protect those...because we're the ones that fronted the big money for the infrastructure. It just kind of has...it makes sense to me. I think one...one thing that Ikaika was...‘Ohana was saying, and it...and it was really nuanced, is like they just kind of opened up the range a little wider, you know? Like they said 60 percent in AMI to 30. Now, I think they are just opening up a little bit so that overall, you...you know, 60 percent AMI, but they can get...a couple 80s are in there, a couple...make like a bell curve almost is what...the way they were...I was understanding them describe it. But I...I just wanted to add that. I think, you know, I...I haven't said it yet, but I'm going to say it's islands of affordability in a sea of...of...you know, the market changes. We--the idea that we want to protect these homes. You know, the rent-to-own model. When we went door to door on Lāna‘i...wanted it...a rent-to-own model, and that allows them to catch up, you know? You know, and I think that rent-to-own model is, in a way, showing that you're sincere about living here long-term. It's...it's kind of a deed restriction because the rent-to-own keeps you in that house for a long time, and then after you're...you know, “X” amount of years, just say, for example, 15 years, then you can buy it. Hey, that market...that home has been not flipped for over 15 years and then some. That's wonderful, right? That's exactly what we want to...to have because we invested so much to even get that home built. So, I just wanted to add those talking points, Chair, and I appreciate this time. Mahalo.

CHAIR KAMA: You're welcome, Mr. Johnson. Okay. So, we went from Member Hodgins to Member Johnson. Yes, Remi.

MR. MITCHELL: Thank you, Chair. If I could just clarify, or actually correct something I believe I said earlier, and then clarify something I heard during the discussion. I referred to, I believe, our administrative rules and deed restrictions as dating back to 1990, so I...a couple of nines too many there. 2009 is the date, so I was misrecalling [sic] the date. And then there was a reference to LIHTC-funded projects leading to mansions. The LIHTC program does not --

CHAIR KAMA: Yeah.

MR. MITCHELL: -- finance anything but affordable home construction. Thank you, Chair.

CHAIR KAMA: You're welcome. Okay. So, I think we're back at you, Mr. Sinenci. You're good? Okay. Very good. Okay. Chair Lee?

COUNCILMEMBER LEE: I just want to let everybody know that when we--actually, it wasn't...it was the Council--I was working for the Administration as the Housing Director in 2006. And in 2006, that's actually when 2.96 was created, okay? And none of us were in favor of it because that's when they required the 50 percent . . .(laughing). . . which went down, straight down the rubbish can because it didn't make--nobody did any affordable housing with 50 percent. Nobody. But there are a lot of good parts to that bill, and it took six months to develop that one bill, and tons of meetings. So, how Member Kama is going to achieve incorporating all these changes in...next week, in one day...God bless you.

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COUNCILMEMBER SUGIMURA: . . .*(laughing)*. . .

CHAIR KAMA: Thank you. And he just did. Because James just told me that's what we're going to do. . . .*(laughing)*. . . So, God's blessing James already. . . .*(laughing)*. . . Member Sugimura.

COUNCILMEMBER SUGIMURA: So important, right? And...and so, what is...what are you and James up to?

CHAIR KAMA: All good. It's all good. No, no, the...the idea was...so, we're going to defer this item, right, at the end of this meeting. We're going to adjourn the meeting so that they can post a new bill incorporating all the things that we're talking about today that can be included...because there's some things we talked about that...that kind of like belong someplace else, right? Not on this train, maybe another train.

COUNCILMEMBER SUGIMURA: Okay.

CHAIR KAMA: But this train can only take what we've talked about within the workforce housing deed restrictions, and the discussions that we've had this week here. And then the other stuff, we'll put them in a parking lot and pick them up later, I'm sure.

COUNCILMEMBER SUGIMURA: . . .*(laughing)*. . .

CHAIR KAMA: But that's the intent.

COUNCILMEMBER SUGIMURA: Okay.

CHAIR KAMA: That's the intent.

COUNCILMEMBER SUGIMURA: So, Chair?

CHAIR KAMA: Yes?

COUNCILMEMBER SUGIMURA: If I could...so, since we're talking about other things, and Member Johnson reminded me about Lima Ola in Lān...sorry, on Kaua'i...Kaua'i. And so, the project that he is finally embarking on, I hope that sometime in your Committee we do take up the possibility for the Kaua'i--I mean...wrong--for the Lāna'i project to mirror some of the things that Kaua'i has done in order to bring the house price down and work with the Department. Because--and if we can build the infrastructure in Lāna'i, and then we'll drive down the prices on--we'll still keep the land, but have the home prices then be, you know, more reasonable. And I think that's where hopefully we're getting to. So, not on today's agenda, but here's Remi.

CHAIR KAMA: Yes, Remi?

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MR. MITCHELL: Thank you, Chair Kama, and thank you for that observation, Member Sugimura. Just so you know, I've already personally visited with my counterpart in Kaua'i to see specifically --

COUNCILMEMBER SUGIMURA: The project?

MR. MITCHELL: -- the...the project, and now Planning Director and I are planning another meeting to go over there and get a little deeper into both the planning side of it and the funding stack of it on April 25th. So, we are trying to benefit from the lessons of good affordable housing projects in other locations in...in the State, so --

COUNCILMEMBER SUGIMURA: Right on.

MR. MITCHELL: -- we're on it.

COUNCILMEMBER SUGIMURA: Right on. And there's what I--I will tell you, one of the...one of the reasons why I think HHFDC relationship is very important is because of their opportunities to possibly do what that project did. And...and they...and to pay for the ground infrastructure, they used a loan, I guess, with HHFDC. And the recent Finance Ways and Means meeting that we had with the...all the mayors, I got to hear the Kaua'i Mayor basically bragging that they paid it down early, you know? But there's...there's great benefits in what Kaua'i has accomplished, so great to hear that. Okay. So, Member Johnson, we're just trying to help your project along.

CHAIR KAMA: . . .*(laughing)*. . . .*(timer sounds)*. . .

COUNCILMEMBER JOHNSON: Thank you. . . .*(laughing)*. . .

COUNCILMEMBER SUGIMURA: . . .*(laughing)*. . .

COUNCILMEMBER JOHNSON: Chair, could I --

CHAIR KAMA: Yeah.

COUNCILMEMBER JOHNSON: -- make a point of clarification here --

CHAIR KAMA: Sure.

COUNCILMEMBER JOHNSON: -- real quick? Yeah, of course Director Remi's...or Director Mitchell's correct. LIHTC doesn't pay for mansions. I...I meant to say the movement of the tax credits, right? That's...that's all my point was. But, you know, just on that note, Ikaika 'Ohana is working with DHHL to have that kind of nice flow between, you know, a low-income, you know, 80 percent AMI and below. And then along with DHHL lands, they're sharing that border, and that's...that's exactly what we want to see, is these folks working together on projects. So, things are happening. All right. Thank you, Chair. Just wanted to clarify that.

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CHAIR KAMA: Thank you, Mr. Johnson. Member Sinenci.

COUNCILMEMBER SINENCI: Real quick, Chair. The other conversation we had was lease-to-own. That was another avenue that we could also look into. Thank you.

CHAIR KAMA: Okay. Thank you. Member Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. You know, for the 90-day buy-back period, since we have Mr. Mitchell with us, I...I understand the need, or the...you know, the idea to reduce it from 90 to 60, but I...I also know how tricky...how long things take in County with lots of different eyes and approvals, and how it needs to come to us, and then we have a, you know, six-day notice period that's required under law. And so, just knowing what the process is, if I could get Mister Mi...Director Mitchell's feedback on reducing it from 90 to 60. And then, you know, like if--perhaps we can...if the...if the concern is carrying costs for that 90-day period, if maybe we can come up with a different idea to address the problem instead of reducing the 90 to 6...60 to 90...90 to 60 days.

MR. MITCHELL: Thank you, Chair Kama, and thank you, Member Rawlins-Fernandez. Before I respond to whether reducing 90 to 60 days is a wise initial legislative choice, I think I would need to spend some time with our Finance Department and real estate team there, and understand just the mechanics that had led to 90 days. So, I'll...I'll have to defer answering that question until I better understand why it takes so long, and whether we, in fact, need 90 days. And then I agree --

COUNCILMEMBER RAWLINS-FERNANDEZ: Will you be with us--oh, sorry. I thought you were pau. Go ahead. Finish.

MR. MITCHELL: And to answer that question, not for the entire meeting. I do have another housing group meeting in the Mayor's Office scheduled right in the middle of the afternoon . . . *(laughing)*. . . for that Thursday meeting. And then, yes, the idea of finding some alternative way to cover the costs for the 90 days, I think, is a wise discussion, but then again, you know, we would have to consult with Corporation Counsel to make sure that, you know, we can expend money on something we don't perhaps own outright at that...at that moment. So, it's a complicated question that you're asking there, so I...I can't really give you an answer.

COUNCILMEMBER RAWLINS-FERNANDEZ: I know. That's why I asked you now instead of next week Thursday. Oh, and I see Ms. Toshikiyo.

MS. TOSHIKIYO: Hi. Thank you. Just to kind of throw my two cents in, when we are looking at--this is...this is on the exercising the right of first refusal, right? So, I mean, we have to evaluate whether or not there's funding available, and whether or not it's already been appropriated. Because if not, then we want to make sure that those funds are secure, which will then...will require Council's approval on an ordinance. So, we have to factor in the timing of your two readings, as well as, you know, an appraisal. So, those are kind of . . . *(timer sounds)*. . . some things that we all throw into the mix, you know, on a

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case-by-case basis when we're determining like how long we need on--in order to close on an acquisition.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo. I...I heard the...the bell, but I...I wasn't sure if Ms. Toshikiyo was opining on whether she had a preference or, you know, she was warning us not to take it down to 60, or...okay. Is she going to...you're --

MS. TOSHIKIYO: Oh, no, no.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- going to go look into it?

MS. TOSHIKIYO: Not at all. We're going to look into it and, you know, maybe be able to give what a range would be on, you know, just like best-case scenario, how long something would take, you know, in terms of, you know, the time that we're given the...you know, the notification or whatever they send us until like when we could reasonably be expected to....to . . .*(inaudible)*. . .

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

MS. TOSHIKIYO: Sorry.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Ms. Toshikiyo. Mahalo, Chair.

CHAIR KAMA: Oh, you're welcome. Member Paltin.

COUNCILMEMBER PALTIN: Thank you. This one would be for Mr. Mitchell. On the County-owned lands, deed restriction or deed restrictions in which a significant amount of Affordable Housing Funds are used for either the off-site infrastructure or other components, would you think that would be similar, or would County-owned lands--I...I...you know, if we managed it similar to DHHL with a 99-year deed restriction, or...just wondering your thoughts on those categories.

MR. MITCHELL: Thank you for the question, Chair and Member Paltin. So, I do think a distinction between County-owned land and private land developed is a good one, with the former, the County lands, perhaps having a longer restriction and the latter, private land, having a shorter. Because the investment into the County-owned land includes not only land, but likely will include the cost for infrastructure, and the entitlement process --

CHAIR KAMA: Right.

MR. MITCHELL: -- and much more. Then the second part of your question related to...if you could refresh my memory?

COUNCILMEMBER PALTIN: Using of...use of Affordable Housing Funds for whether it's off-site infrastructure, or on-site infrastructure, or just, I guess, the use of Affordable Housing Funds for --

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MR. MITCHELL: Thank you.

COUNCILMEMBER PALTIN: -- a project.

MR. MITCHELL: Thank you for that clarification, Member Paltin. So, I do recall in one of the last pieces of correspondence that I responded to, I think, got a similar question. And I expressed some caution with having things like the level of investment dictating the length of the restriction because then that becomes a variable that's impossible to manage. . . .*(laughing)*. . . It...you know, the investment will vary from project to project to project to project, and as a result, you're going to have all sorts of deed restrictions in terms of time throughout each project, and that becomes an impossible scenario. So, I...I would dissuade going down that path.

COUNCILMEMBER PALTIN: Okay. Did you comment specifically on the 99-year deed restriction for County-owned properties, or have a counteroffer on that?

MR. MITCHELL: Thank you for the question, Member Paltin. So, that was one of the questions in the recent correspondence I received, to which I did submit a written response.

COUNCILMEMBER PALTIN: Oh, okay. And then so, to...the other part of your answer, whether Affordable Housing Funds are used or not shouldn't have an effect on the length of deed restriction, it should be standardized. But should...should we prioritize for-sale or rental with our Affordable Housing Funds in that case? Because rental usually would be longer. . . .*(timer sounds)*. . .

MR. MITCHELL: Thank you for the question, Member Kama...Chair Kama and Member Paltin. I would express some caution in trying to prioritize project types. There...there are too many variables in what's happening in the market that lead to developers proposing different types, and then sometimes, in the middle of their development phase, changing their mix because of market conditions. So, I'd urge against limiting the use of the fund that way.

CHAIR KAMA: Oh.

COUNCILMEMBER PALTIN: I heard the bell. Thank you.

CHAIR KAMA: Okay. Thank you. Okay. Member Rawlins-Fern...no. Member Johnson, any other discussion?

COUNCILMEMBER JOHNSON: I think I...I pretty much--well, I will say about this...in this idea of how long the unit should sit on sale in that particular bracket, whether 90 days. Remember, the bill that we wrote, the omnibus bill, it...it was to prevent mortgage steering because the...the...the bad actors would say, you got to use my lender, and they would choose the most conservative lender, and we only want to do it for a short period of time. So, when it sits on this...on for-sale market for a short period of time, and no one it's gets...gets that...that that lender denies them, then they can push it up

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to a higher bracket and, again, go to the conservative lender, they say no, then they pushed it up to a higher bracket until it gets sold market rate. And that's called mortgage steering, which is what we tried to address in that bill. Now, you know, 22--that was in 2022, I do believe, so I want to make sure that, you know, we give it a chance to see how it works before we change it. But that's kind of the reason, the impetus on why we will try to give people more longer time to get their ducks in a row to buy a house because there was some nefarious lenders who--or developers who would make you choose a very strict lender, and you would naturally get denied, and it would get pushed up. So, there was my...I just wanted to add that. Thank you, Chair.

CHAIR KAMA: You're welcome. Okay. Now we're back at you, Ms. Rawlins-Fernandez. Any discussion?

COUNCILMEMBER RAWLINS-FERNANDEZ: Since we may not have Director Mitchell for a good period of the time next week Thursday, I'd like to ask him another question regarding housing credits.

CHAIR KAMA: Good.

COUNCILMEMBER RAWLINS-FERNANDEZ: I...I...I understand--well, it was explained to me in the beginning, when I first started learning about the details of 2.96, that the housing credits had...was created partly to work with DHHL, but not exclusively. And so, I...I don't...I don't think it's really...I think we need houses more than the housing credits, and I'd either like to like limit that or like eliminate it. Your thoughts?

MR. MITCHELL: Thank you for the question, Chair Kama and Member Rawlins-Fernandez. I'm not entirely sure what the question is. Are you...I guess I'm not entirely sure what the question is.

COUNCILMEMBER RAWLINS-FERNANDEZ: No more housing credits.

MR. MITCHELL: My initial reaction is, I think that would be a bad idea. . . .*(laughing)*. . . But I'd like to take some time to reflect and maybe chat to you offline to better understand the concern because I'm...I'm not quite tracking it.

COUNCILMEMBER RAWLINS-FERNANDEZ: Because we need houses, and...and it's...developers then get the housing credits, and then they use the housing credits instead of like having like houses, and the housing credits are like the...the...the value of a house versus like the housing credit...like that there's such a mismatch in the...in the value. Like I...I think the County, and therefore the public, is being ripped off. And I understand that part of it is to try to entice developers to build by offering housing credits, and to get the funding to offset the cost. And we could talk story more offline, too, but that...that's kind of like the thought behind it.

MR. MITCHELL: Thank you for the clarification, Member Rawlins-Fernandez. I...I would appreciate an opportunity to be more thoughtful before giving a response.

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COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Sounds good.

CHAIR KAMA: Okay. So, we're going to --

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

CHAIR KAMA: You're welcome. So, we're going to continue with Member U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: Thank you, Chair. I really have...I...I shouldn't say I don't have any more questions about this because I know I will, but really, I guess my question is, what's going to happen next week Thursday? Are you guys going to work on the bill and then give us something to work on, or are me and Member Paltin going to take our existing bills? I know we're going to defer it and we're going to tweak this, or...or what are we going to be working off of next week Thursday?

CHAIR KAMA: My understanding is that the...our Staff's taking all of our suggestions today --

VICE-CHAIR U'U-HODGINS: Um-hum.

CHAIR KAMA: -- and they're going to develop a new bill.

VICE-CHAIR U'U-HODGINS: Okay.

CHAIR KAMA: They will post the bill--Friday or tomorrow?

MR. KRUEGER: Yes, Chair. Posting --

CHAIR KAMA: Tomorrow?

MR. KRUEGER: -- would be tomorrow --

CHAIR KAMA: Yeah.

MR. KRUEGER: -- for...for next week Thursday.

COUNCILMEMBER SUGIMURA: Wow.

CHAIR KAMA: So, we're going to get a whole new bill inclusive of all what we heard --

COUNCILMEMBER SUGIMURA: Is that enough time?

CHAIR KAMA: -- today.

VICE-CHAIR U'U-HODGINS: Okay.

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CHAIR KAMA: Okay? And then on Thursday, when we come back, we're going to take a look at that bill, make sure it has all what we said we wanted it to have, and then we can make the determination by that.

VICE-CHAIR U'U-HODGINS: Okay. Yeah, Godspeed. Godspeed.

CHAIR KAMA: That's...okay. We're taking all of that too.

VICE-CHAIR U'U-HODGINS: Yeah.

COUNCILMEMBER SUGIMURA: Is that enough time for them --

CHAIR KAMA: More blessings?

COUNCILMEMBER SUGIMURA: Is that enough time for them to create a brand-new bill by tomorrow, James? They're working on seven CRs for me.

CHAIR KAMA: You're giving them that much work?

COUNCILMEMBER SUGIMURA: That's how much work we did yesterday.

CHAIR KAMA: . . .*(laughing)*. . . James, go ahead. Answer that.

MR. KRUEGER: Chair, Staff will do what the Committee's requesting of us. Thank you.

COUNCILMEMBER SUGIMURA: Wow.

CHAIR KAMA: Wow. Yeah, that's how hard our Staff works. Let's go to Mr. Mitchell first, and then we'll go to you, Chair Lee.

MR. MITCHELL: Thank you, Chair Kama. The Com...the Committee has discussed a lot of different ideas.

CHAIR KAMA: Yeah.

MR. MITCHELL: And while I thoroughly enjoyed my time at OCS, and look forward to the opportunity to draft bills, and work through the complexity of drafting bills, I know just from listening to what you've discussed that many items should not be in one bill.

CHAIR KAMA: Yes.

MR. MITCHELL: So --

CHAIR KAMA: Stuff that will be in it. Yes.

MR. MITCHELL: -- I...I would express caution --

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CHAIR KAMA: Yes.

MR. MITCHELL: -- with the notion --

CHAIR KAMA: Yes.

MR. MITCHELL: -- that in one day, you're going to put everything in one bill, and then agendize it. Some --

CHAIR KAMA: Right.

MR. MITCHELL: -- filtering needs to occur first --

CHAIR KAMA: Yeah.

MR. MITCHELL: -- . . .*(laughing)*. . . and...and...and that might take some time, maybe not in time to get a bill posted. Thank you, Chair.

CHAIR KAMA: Thank you. Chair Lee.

COUNCILMEMBER LEE: Chair, I was going to say the exact same thing, that many suggestions that were forwarded --

CHAIR KAMA: Um-hum. Um-hum.

COUNCILMEMBER LEE: -- or to you were unvetted. They're just ideas. So, I...I can't imagine...although I know James Krueger has a brilliant mind, I don't think mindreading is one of his talents.

UNIDENTIFIED SPEAKER: . . .*(laughing)*. . .

COUNCILMEMBER LEE: And so, what we've suggested to be included next week needs a tremendous amount of discussion, whereas what Member Paltin and Member U'u-Hodgins have are like draft bills. We don't have those things ready, yeah? So, I mean, that's quite a feat if you can accomplish all that, but it's--you know, we didn't even...we didn't finish our thoughts on some of these things.

CHAIR KAMA: Okay.

COUNCILMEMBER LEE: Thank you.

CHAIR KAMA: Let's go to Member Paltin, and then we're going to take a...five-minute break you want? Okay.

COUNCILMEMBER PALTIN: Thank you.

CHAIR KAMA: Then...so that James can talk to me about options. Member Paltin.

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COUNCILMEMBER PALTIN: Well, I just wanted to clarify. I mean --

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: -- I don't know what you folks are expecting, but I'm not expecting them to come up with a bill that we're like, that's it, you solved all our problems.

CHAIR KAMA: No. No, no, no.

COUNCILMEMBER PALTIN: Because how the discussion started was, are we just going to talk about temporal deed restrictions, or are we going to incorporate some of the things that we were --

CHAIR KAMA: Nontemporal.

COUNCILMEMBER PALTIN: -- talking about --

CHAIR KAMA: Nontemporal.

COUNCILMEMBER PALTIN: -- nontemporal things. So, you know, what I'm envisioning is the framework to...to add our preferences in. It's not going to be a 15-minute meeting where they drafted something and we're like, okay, let's pass that, you know?

CHAIR KAMA: Yeah. No.

COUNCILMEMBER PALTIN: Because we still got to make the policy decisions. We still got to do the work. They're, you know, setting up a framework is...is how I see it. And I hope that, you know, Mr. Mitchell, like, should he not be able to be here on the day that we are in Committee and discuss...discussing what the framework that they have created into a bill, and then actually making the policy decisions that we need to make. I mean, I'm not...I'm not putting it on James and Ellen to say, like, 30 years for this or whatever --

CHAIR KAMA: Um-hum. Um-hum.

COUNCILMEMBER PALTIN: -- you know, AMIs or whatever...because we got to do that work. We can't just push it off on them.

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: But I...I hope that when it's posted, Mr. Mitchell can give us his feedback as well on that, to take that into consideration when we have the discussion. But I just wanted to clarify and manage expectations, that I'm not expecting them to do the work for us. They're...they're creating the framework and posting so that we can have the broader discussion on temporal and nontemporal deed restrictions, and protection versus production, and all of that. Like I'm not expecting them to draft

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something and we're like, thanks, okay, pass it, you know? Just clarifying. Is that...is that your guys' understanding, Mr. Krueger? You aren't going to do all our work for us. I mean, if you want to, cool.

MR. KRUEGER: Chair?

CHAIR KAMA: Yeah.

MR. KRUEGER: Yeah. So, the...the bill that Staff was going to put together would be, right, based around the --

CHAIR KAMA: Nontemporal.

MR. KRUEGER: -- discussion that the Committee's having now --

CHAIR KAMA: Nontemporal.

MR. KRUEGER: -- but...but certainly, right, it wouldn't be able to contemplate all of the things that the Committee would want to move forward with, right? And like you said, that would be a policy decision of...of the body. So, it would be something that would provide the Committee the opportunity to make the appropriate changes to establish the policy it wants to move forward with. Thank you, Chair.

CHAIR KAMA: So, I am...I--oh.

COUNCILMEMBER PALTIN: We still got to do some of the work.

CHAIR KAMA: Yeah.

COUNCILMEMBER PALTIN: . . .*(laughing)*. . .

CHAIR KAMA: Is...is your hand --

COUNCILMEMBER PALTIN: That's why we make the big bucks.

CHAIR KAMA: Is your hand up, Nohe?

VICE-CHAIR U'U-HODGINS: I was just going to say, I...I don't disagree. That is our job, is to work out the details. But even just to do it tonight after just listening to us talk at you for the last three hours is a lot, and that was my point. I didn't expect the perfect bill --

CHAIR KAMA: Um-hum.

VICE-CHAIR U'U-HODGINS: -- although I do know you guys do great work. But yeah, no. I figured we would obviously have a long, lengthy discussion, and probably continue to discuss this for quite some time.

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CHAIR KAMA: Oh, I'm sure we are. But the things that...that we talked about in the--that was missing from the bill was the nontemporal. That's what we're talking about, and that's what the discussion that we had. And...and of course, you know, we're so creative and floristic in how we talk about things that we put a lot of fluff around some of this stuff, and that the Staff has to kind of like figure out where's the nontemporal, you know? Oh. . . .*(laughing)*. . . But...but basically, that was my understanding, too, is that we're looking for the--to fill this, the bill we already have, with the nontemporal issues that we talked about. And a few of them came up today, but, you know, in three hours, we talk a lot, all of us. And we talk about stuff that's probably not part of the agenda, but it's an extension of, but it's good discussion for future meetings. And what we said, what we'd like to see as we start to do policy changes. We talked about some of the Codes and ordinances that are so out of date that we need to take a look at them--well, we are. We're starting to, right? And so, this is the beginning of it. So, James, you still need our recess? No. Okay. Okay, okay, okay. So, let's do ten minutes. It is 3:34, come back at 3:44. HLU is now in recess. . . .*(gavel)*. . .

RECESS: 3:34 p.m.

RECONVENE: 3:49 p.m.

CHAIR KAMA: . . .*(gavel)*. . . Will the HLU Committee meeting of March 13th reconvene. It is now 3:49 p.m. And I think we left off with...the discussion was, what's next, right? So, if there's nobody else online or here that has any more discussion? Okay. So, this is what's next. So, I'm going to defer this matter. I'm going to recess today's meeting--I mean, adjourn today's meeting. Our Staff is going to post tomorrow for next week Thursday's meeting. That's going to occur at 2:45. Member Rawlins-Fernandez, her KA'Ā will go from 1:30 to 2:30, and we'll convene HLU at 2:45 to allow her time to clear the dais, and then, you know, all that little...that happens in the transition can occur. And then we're scheduled to go from 2:45 to 5:45, and hopefully that...that would be our whole afternoon session, and hopefully we can complete our work by that time. If not, I guess when we get to that day, we'll figure out if Members can stay a little later or not, and we'll know that by that time. But hopefully, if we really stay focused on what we are going to do, I think we'll be able to accomplish our task. Member Paltin?

COUNCILMEMBER PALTIN: Just a point of clarification. Are we having...we're having KA'Ā in the morning, too?

CHAIR KAMA: No, I think KA'Ā's in the afternoon. Oh, Member Rawlins-Fernandez, please respond.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Member Paltin is correct. Usually, it'll be the whole day, but because we only have Committee week once this month of March, Member Johnson and I split the one day, and then ADEPT will be at 9:00, and then KA'Ā will be at 1:30. And my chatty-bunch Committee --

CHAIR KAMA: . . .*(laughing)*. . .

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COUNCILMEMBER RAWLINS-FERNANDEZ: -- can...we're going to have to work together, Chair Lee. . . .*(laughing)*. . .

CHAIR KAMA: . . .*(laughing)*. . .

COUNCILMEMBER RAWLINS-FERNANDEZ: I'm kidding. I'm kidding. They don't talk that much in my Committee meeting. But we'll receive a presentation, and then we'll have testimony, and then questions. So, I...I think we should be able to get it done in that hour. We'll...and then we'll do our best to limit ourselves. And if folks have more questions, they can follow up with the presenters.

COUNCILMEMBER PALTIN: Thanks for that clarification.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

COUNCILMEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER pending further discussion.

CHAIR KAMA: You're welcome. So, Members, does that sound like our plan going forward?

UNIDENTIFIED SPEAKER: Yes.

CHAIR KAMA: Okay. So, Members, because there is nothing else scheduled on our agenda today, I'd like to call the HLU Committee meeting to adjourn at 3:52 p.m. Meeting adjourned. . . .*(gavel)*. . .

ADJOURN: 3:52 p.m.

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CERTIFICATION

I, Logan Tsuji, hereby certify that pages 1 through 93 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 9th day of April 2025, in Wailuku, Hawai'i

A handwritten signature in black ink, appearing to read "Logan Tsuji", is written above a horizontal line.

Logan Tsuji