RICHARD T. BISSEN, JR.
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Office of Recovery Administrator

DEPARTMENT OF MANAGEMENT
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAI'I 96793
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January 27, 2026

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Mayor 1-29-26 Date

For Transmittal to:

Yuki Lei K. Sugimura, Chair
Budget, Finance, and Economic
Development Committee
200 South High Street
Wailuku, HI 96793

Aloha Chair Sugimura,

SUBJECT: **Bill 4 (2026), Amending Fiscal Year 2026 Budget: Grant to Lahaina Community Land Trust (BFED-20(24)**

Please find below responses to your request dated January 21, 2026:

1. May an eligible household receiving assistance under the CDBG-DR first-time homebuyer program purchase a home that is located on land held by a nonprofit community land trust that is conveyed to the buyer through a deed-restricted arrangement?

Our shared goal is ensuring County of Maui residents have access to stable, affordable housing, and we are hopeful that our respective programs can work in tandem toward that end. The subsidy provided through the County's First Time Homebuyer Opportunity program is intended to assist eligible households to purchase move-in ready homes. CDBG-DR funds are intended to fill any remaining unmet needs, and if LCLT homes are

already being sold at an affordable rate, there may be a duplication of benefit and the perception that the cost to purchase the property is being over subsidized.

a. If yes, please describe the required approval steps and documentation, including any required review of the ground lease, resale restrictions, title, and lender requirements.

Under HUD's Community Development Block Grant–Disaster Recovery (CDBG-DR) rules—and the County's adopted First-Time Homebuyer Opportunity Program (HOP) Policy—eligible households may use CDBG-DR assistance to purchase Community Land Trust homes, provided the ground lease and deed-restricted arrangements meet all federal and County requirements.

There is no HUD prohibition on CLT or deed-restricted leasehold homeownership models. Eligibility is reviewed on a case-by-case basis under HOP Policy Section 7(c)ii to ensure the proposed leasehold interest satisfies ownership, occupancy, affordability, and enforceability standards.

Policy Basis

- HUD Requirements: CDBG-DR may assist homeownership where the buyer holds a legally enforceable, mortgageable interest; the assistance meets the low- and moderate-income housing national objective; the activity is eligible and addresses a disaster-related need; and long-term affordability, DOB, environmental review requirements are met.
- HOP Policy Section 7(c)ii: Leasehold properties—including models such as CLTs—"may be eligible and will be considered on a case-by-case basis." The County must confirm the leasehold interest supports ownership and occupancy requirements and allows the County to record and enforce program-required affordability restrictions for the full compliance period.

How the County may review a CLT home purchase

To approve a CLT home purchase with CDBG-DR assistance, the County must:

1. Confirm Basic CDBG-DR Eligibility
    a. Income qualification (low- or moderate-income)
    b. Disaster-related unmet need and duplication-of-benefits compliance
    c. Environmental review (24 CFR Part 58)
2. Review the Ground Lease and Ownership Structure
    d. Buyer must own the improvements and hold a long-term, enforceable leasehold interest that is mortgageable and insurable
    e. Ground lease must support owner-occupancy for the duration of the program affordability period (99-years)
3. Ensure Resale & Affordability Restrictions Align with HOP Program Requirements

f. Provisions must ensure affordable resale price to income-eligible buyers during the affordability period
g. CLT restrictions must not conflict with the County's HUD approved restrictive covenants and subordinate-second mortgage terms

4. Confirm Title, Recordation, and Enforceability
   i. Title insurance must recognize the buyer's leasehold interest
   j. The County must be able to record affordability restrictions and any program liens
   k. No superior interests can prevent enforcement of County requirements
5. Verify Lender Acceptance & Housing Cost Reasonableness
   l. First mortgage lender must allow financing of CLT/leasehold structures
   m. Total housing cost (mortgage, ground lease fee, taxes, insurance, HOA) must meet program underwriting standards

When a CLT Property May Not Be Eligible

A CLT home may be ineligible if the specific ground lease and deed restrictions for the following non-exhaustive list of reasons:

- Do not provide an enforceable ownership and occupancy interest that meets HOP Section 7(c)ii;
- Prevent the County from recording or enforcing its affordability restrictions or liens;
- Fail to satisfy HUD CDBG-DR statutory or regulatory requirements; and/or
- Cannot be financed or insured by lenders and title companies on acceptable terms.

b. If no, please identify what rule or program requirement prevents participation in a deed-restricted arrangement.

There is no categorical federal prohibition on CLT participation.

2. Under the CDBG-DR program requirements, does any pre-award site work or groundwork make an applicant ineligible for assistance, or does it only affect whether the applicant may use existing plans, permits, and bids? Please explain.

Under the CDBG-DR program requirements, pre-award site work or groundwork does not automatically make an applicant ineligible for assistance. However, undertaking physical activities or entering into binding commitments prior to environmental clearance and formal award of assistance may affect eligibility and the ability to use existing plans, permits, contracts, or bids.

Pursuant to 24 CFR Part 58 and HUD environmental review requirements, any choice-limiting actions taken prior to completion of the environmental review and receipt of the Authority to Use Grant Funds (AUGF) are prohibited. Choice-limiting actions include, but are not limited to:

- Site disturbance, grading, excavation, demolition, or construction;

- Execution of contracts, construction agreements, or other binding commitments; and
- Issuance or acceptance of bids, purchase orders, or financial obligations related to the project.

3. Please provide a brief overview of the three CDBG-DR programs administered by the Office of Recovery, and for each program, please confirm whether it is open or closed and the key eligibility rules and Deadlines.

To date, the County Office of Recovery has launched and is administering six (6) of the nine (9) HUD-approved CDBG-DR disaster recovery programs. A common misconception is that the Reimbursement Program is a separate, standalone program. In fact, it is a sub-program within the Homeowner Reconstruction and Reimbursement Program (HRRP). For informational purposes, it is listed separately below.

1. **Homeowner Reconstruction Program (HRP)**

Status: *Open – Actively Processing Applications* (Program opened August 11, 2025.)
Program Budget: $298,579,950 (minus $20,000,000 for reimbursement set aside)

Purpose:
Provides up to $1,200,000 in CDBG-DR funding to reconstruct single-family homes destroyed in the August 2023 Maui wildfires. Construction is performed by program-selected construction managers; funds are not disbursed directly to homeowners.

Key Eligibility Requirements (per HRRP Policy):

- Home must have been destroyed by the August 8, 2023 wildfires.
- Applicant owned the home on August 8, 2023 and still owns the property.
- Home was the primary residence at the time of the disaster.
- Property must be within the burn zone.
- Household income must be ≤140% AMI.
  - Applicant Prioritization: In alignment with the Action Plan, applicants are prioritized first by income level and then by the presence of one or more program-defined vulnerability factors:
    - **Vulnerability Factors:**
      - Household includes a kupuna (62+)
      - Household includes a child under 18
      - Household includes a person with a disability
    - **Priority Phases:**
      - **Phase 1:** Income ≤50% AMI, with or without a vulnerability
      - **Phase 2:** Income 51–80% AMI with a vulnerability
      - **Phase 3:** Income 51–80% AMI without a vulnerability
      - **Phase 4:** Income 81–120% AMI, with or without a vulnerability

- **Phase 5:** Income 121–140% AMI, with or without a vulnerability
- Property taxes must be current or on a plan.
- Mortgage (if applicable) must be current or in an approved forbearance/plan.
- Eligible structure must be a single-family unit (1–4 units).
- Environmental review and DOB review required.

Deadlines:

- Application window opened August 11, 2025 and remains open until enough applications are received to use all funds (minimum 6-month intake period). *pending County OOR deadline extension

2. **Homeowner Reimbursement Program (HRP-Reimbursement)**
Program Set aside Budget: $20,000,000 of HRRP budget
Status: *Open to New Applications* (Reimbursement pathway is included in the HRRP policy, and intake is currently open.) *pending County OOR deadline extension

Purpose:
Provides up to $400,000 to reimburse homeowners who fully completed reconstructed their wildfire-destroyed homes before applying, using eligible costs documented and verified through standardized pricing (e.g., Xactimate).

Key Eligibility Requirements (per HRRP Policy):

- Home was destroyed in the 2023 wildfires.
- Applicant owned and occupied the home on August 8, 2023.
- Reconstruction must be completed before program application.
- Same Income and Prioritization as HRRP
- Reimbursable work must have been completed:
  - On or after August 8, 2023, and
  - Before the earlier of:
    - the date the applicant applies for reimbursement, or
    - two years after the AAN applicability date (January 21, 2027).
- All CDBG-DR requirements apply (DOB, environmental review, documentation, etc.).

Deadlines:

- Costs must be incurred no later than January 21, 2027 (two years after applicability date).
- Application intake period is open.
- Program is processing remaining reimbursement cases.

3. **First-Time Homebuyer Opportunity Program (HOP)**
Program Budget: $92,500,000

Status: *Closed*

Purpose:
Provides up to $600,000 per household to assist eligible first-time homebuyers with down payment, closing costs, mortgage principal reduction, and/or mortgage rate buydowns to purchase move-in ready homes in Maui County.

Key Eligibility Requirements (per HOP Policy):

- Must be a first-time homebuyer (no ownership interest in the past 3 years).
- Must be a current or returning wildfire-displaced resident of Maui County.
- Household income must be ≤120% AMI.
    - Applicant Prioritization:
        - **Phase I** - Households whose primary residence on August 8, 2023, were within the burn zone and whose annual income equal to or less than 80% AMI.
        - **Phase II** - Households whose primary residence on August 8, 2023, were within the burn zone and whose annual income is between 80 and 120% AMI
        - **Phase III** - Households whose primary residence on August 8, 2023, were outside of the burn zone and whose annual income is equal to or less than 80% AMI.
        - **Phase IV** - Households whose primary residence on August 8, 2023, were outside of the burn zone and whose annual income is between 80 and 120% AMI.
- Applicant must be mortgage-ready and able to secure a 30-year fixed-rate first mortgage.
- Property must be:
    - Move-in ready (no repairs funded),
    - Located in Maui County but outside high-risk hazard areas,
    - A single-family unit (including condos or townhomes).
- Leasehold homes may be eligible on a case-by-case basis.
- Full environmental review and DOB analysis required.
- Home must be used as the primary residence and remain affordable for 99 years.

Deadlines:

- Program is now closed.
- All commitments and expenditures must occur within the HUD CDBG-DR grant performance/expenditure deadlines.

4. **Multifamily Reconstruction (Rehabilitation and Reconstruction of Existing Properties)**
Program Budget: $235,000,000
Status: Closed

Purpose:
Provides CDBG-DR assistance to rehabilitate and/or reconstruct multifamily affordable rental housing developments that were damaged or destroyed as a result of the August 2023 wildfires. The objective is to restore and preserve affordable rental housing and expedite the return of displaced households.

Key Eligibility and Requirements:

- Property must be a multifamily rental development with documented disaster-related damage;
- Project must meet a CDBG-DR national objective, including primarily benefiting low- and moderate-income (LMI) households, as defined in the Action Plan;
- Assisted units must be subject to affordability and rent restrictions for the applicable compliance period established in the Action Plan and program guidelines;
- Owner/developer must demonstrate site control, financial feasibility, and readiness to proceed;
- Duplication of Benefits (DOB) requirements apply; and
- All applicable federal requirements apply, including environmental review (24 CFR Part 58), Davis-Bacon (if applicable), Section 3, Fair Housing, accessibility (Section 504/ADA), and federal procurement and contracting standards.

5. **Multifamily New Construction**
Program Budget: $185,000,000
Status: Open

Purpose:
Provides CDBG-DR assistance to support the development of new multifamily rental housing to replace housing lost due to the disaster and to expand the supply of long-term affordable rental units to meet unmet housing needs identified in the Action Plan.

Key Eligibility and Requirements:

- Project must involve new construction of multifamily rental housing;
- Development must meet a CDBG-DR national objective and primarily benefit income-eligible households, consistent with the Action Plan;
- Assisted units must be subject to long-term affordability and rent restrictions as established in the Action Plan and program guidelines;
- Owner/developer must demonstrate site control, zoning and land use compliance, financial feasibility, and project readiness;
- Duplication of Benefits (DOB) requirements apply; and

- All applicable federal requirements apply, including environmental review (24 CFR Part 58), Davis-Bacon (if applicable), Section 3, Fair Housing, accessibility (Section 504/ADA), and federal procurement and contracting standards.

6. **Infrastructure & Public Facilities Program**
   Program Budget: $400,000,000
   Status: Open

   Overview:
   The County of Maui Office of Recovery administers the Infrastructure & Public Facilities Program to support the repair, replacement, rehabilitation, and construction of public infrastructure and public facilities necessary to address disaster-related impacts, restore essential services, and support long-term community recovery in disaster-impacted areas. The program is designed to strengthen critical systems and public assets consistent with the County's HUD-approved Action Plan, as amended.

   Eligible activities may include, but are not limited to, water, wastewater, stormwater, drainage and flood control systems; roads, bridges, and transportation-related improvements; and public facilities such as community centers, public safety facilities, and other publicly owned or operated facilities that support essential services and recovery functions.

   Key Eligibility:
   - Project must address a documented disaster-related impact and/or unmet recovery need identified in the Action Plan;
   - Project must meet a CDBG-DR national objective (e.g., LMI benefit, urgent need, or slum and blight, as applicable);
   - The activity must be an eligible public infrastructure and/or public facilities activity under CDBG-DR;
   - The County or an eligible subrecipient must demonstrate site control, right-of-way, and required permits and approvals, as applicable;
   - Duplication of Benefits (DOB) requirements apply, where applicable; and
   - All applicable federal requirements apply, including environmental review (24 CFR Part 58), procurement and contracting (2 CFR Part 200), Davis-Bacon (if applicable), Section 3, domestic preference, civil rights, and accessibility requirements.

7. **Mitigation Program**
   Program Budget: $213,832,000
   Status: Open

   Purpose:
   The County of Maui Office of Recovery administers the Mitigation Program to support

activities that reduce or eliminate long-term risk to people and property from future disasters and hazard events. The program is designed to increase community resilience and reduce vulnerability in disaster-impacted areas, consistent with the County's HUD-approved Action Plan, as amended, and applicable mitigation priorities.

Eligible activities may include, but are not limited to, wildfire mitigation, flood control and drainage improvements, hardening of critical infrastructure and public facilities, defensible space and fuel reduction projects (where eligible), elevation or floodproofing of structures (where applicable), and other mitigation measures that address identified hazard risks and unmet mitigation needs.

Key Eligibility:

- Project must address a documented hazard risk and/or mitigation need identified in the Action Plan or supporting hazard mitigation planning documents;
- Project must meet a CDBG-DR national objective (e.g., LMI benefit or urgent need, as applicable);
- The activity must be an eligible mitigation activity under CDBG-DR and consistent with HUD guidance;
- The County or an eligible subrecipient must demonstrate site control, right-of-way, and required permits and approvals, as applicable;
- Duplication of Benefits (DOB) requirements apply, where applicable; and
- All applicable federal requirements apply, including environmental review (24 CFR Part 58), procurement and contracting (2 CFR Part 200), Davis-Bacon (if applicable), Section 3, domestic preference, civil rights, and accessibility requirements.

If you need additional details or further clarification, please feel free to contact me.

Sincerely,

John R. Smith, PE
Office of Recovery Administrator

BFED Committee

From: Estrelita B. Dahilig <Estrelita.B.Dahilig@co.maui.hi.us>
Sent: Thursday, January 29, 2026 9:43 AM
To: BFED Committee; Yukilei Sugimura; John R. Smith; Lynette M. Kaona; Desiree A. Lopes; Jarene K. Murakami
Cc: Josiah K. Nishita; Erin A. Wade; Cynthia E. Sasada; Didi A. Hamai; Lesley J. Milner; Marcy L. Martin; Maria E. Zielinski; Richard E. Mitchell; Saumalu Mataafa; Kelii P. Nahooikaika; Patience M. Kahula
Subject: TRANSMITTAL: BILL 4 (2026), AMENDING FISCAL YEAR 2026 BUDGET: GRANT TO LAHAINA COMMUNITY LAND TRUST (BFED-20(24)
Attachments: MT#11373.BFED.Chair.Sugimura.pdf

Aloha,

Please see attached transmittal dated January 27, 2026, from Department of Management, Office of Recovery Administrator John R. Smith, PE, regarding the above subject matter.
Thank you and have a great day!

Mahalo,
Lita

Lita B. Dahilig
Secretary

County of Maui
Office of the Mayor
808-270-7855
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