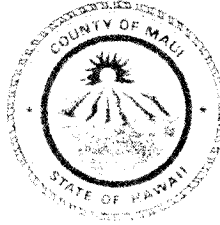


MICHAEL P. VICTORINO
Mayor

LORI TSUHAKO
Director

LINDA R. MUNSELL
Deputy Director



RECEIVED
2020 MAR -5 AM 10:14
OFFICE OF THE MAYOR

DEPARTMENT OF HOUSING
& HUMAN CONCERNS
COUNTY OF MAUI
2200 MAIN STREET, SUITE 546
WAILUKU, MAUI, HAWAII 96793
PHONE: (808) 270-7805

March 5, 2020

Honorable Michael P. Victorino
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL



Actual Mayor Date 3/5/2020

For Transmittal to:

Honorable Tasha Kama, Chair
Affordable Housing Committee
Maui County Council
200 S. High Street
Wailuku, Hawaii 96793

Dear Chair Kama:

SUBJECT: BIENNIAL REVIEW OF RESIDENTIAL WORKFORCE HOUSING POLICY (CHAPTER 2.96, MAUI COUNTY CODE) (AH-10)

Thank you for your correspondence of February 21, 2020 requesting additional information pertaining to the above subject. The questions posed in your letter are listed below in bold and are followed by the Department's responses.

- 1. Would a homeowner who the improvements on land owned in perpetuity by a nonprofit land trust be able to obtain a second mortgage on the home? If so, what would the process be?**

As the County does not have a policy regarding deed restrictions in perpetuity, the Housing Division reached out to Cassandra Abdul, Executive Director for Na Hale O Maui, and inquired about 2nd mortgage options under their Land Trust model. Here is a summary of Ms. Abdul's response:

Homeowners cannot create a lien against the land, so a 2nd mortgage is not allowed. Na Hale wants their homeowners to live within their means and remain a viable homeowner over the long haul.

Na Hale feels that second (and third) mortgages and equity lines of credit contributed to the last real estate meltdown, when homeowners kept pulling equity out of the home, had high loan balances and payments, and values plummeted so

that they were “upside-down,” and technically in violation of loan covenants regarding loan to value, etc.

2. **Currently, the practice is for each housing development to have its own waiting list of potential buyers. What steps and resources would be required for the Department to establish and maintain a countywide master list of qualified applicants waiting for residential workforce housing units?**

For the Housing Division to establish and maintain waitlists for all development in Maui County, additional staffing would be required. The reasoning for requiring developers to create and maintain a waitlist for their projects is due to the fact that every development is different as projects vary from for sale, rental, mixed use, senior rental and special needs, to name a few. Desirability to apply for a project also depends on where the project is located.

Due the diversity of applicants eligible for each type of project, it was determined that it made more sense for the developers to create waiting lists specific to their project. Otherwise, the Housing Division would need to create multiple waitlists dependent upon project need, type and location. It is more cost effective (and efficient) for the County to keep this practice in place.

3. **Please investigate and report if any State credits created by a project outside Maui County have been applied by a development to meet workforce housing requirements in Maui County. If such credits were used please identify the developments and how many credits were applied.**

To date, State credits earned developing projects outside of Maui County have not been used to satisfy Maui County housing requirements.

4. **Please describe the calculation of the County’s “Affordable Sales Price Guidelines”, including variations in sales price based on number of bedrooms given that the household AMI would be the same regardless of the size of the home.**

The Affordable Sales Price Guidelines presently utilized by the County are a HUD formula that assumes the following:

- A. 5% Down Payment from the buyer
- B. 30 year Amortization
- C. 4% interest rate (current prevailing rate used by the Department)
- D. Area Median Income – as established by HUD
- E. Buyer will apply 30% of gross income towards their mortgage payment

Example: Current Area Median Income for Maui County is \$83,800 per household (all income earning individuals residing in the home). Thus, based on the criteria listed above, for a household earning 100% of AMI (\$83,800), the maximum purchase price the household can afford is \$461,900 for a three bedroom home.

The formula also assumes a 15% allowance per bedroom count – meaning a two

Honorable Tasha Kama, Chair
Affordable Housing Committee
March 5, 2020
Page 3 of 3

bedroom home would be priced 15% less than \$461,900 = \$392,615. And a four bedroom home would be priced at 15% more than \$461,900 = \$531,185 (these prices are verified in the sales guidelines). The same formulas are applied to each AMI category/bedroom count from 50% AMI to 140% AMI (max).

Thank you for the opportunity to provide this information. Should you have any questions, please feel free to contact me at Ext. 7805.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Tsuhako". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

LORI TSUHAKO, LSW, ACSW
Director of Housing and Human Concerns

xc: Housing Division