

AH Committee

From: Jeff Gilbreath <jeff@hawaiiancommunity.net>
Sent: Friday, November 12, 2021 12:25 PM
To: AH Committee
Subject: 11/15 Presentation - Hawaiian Community Assets
Attachments: Income Targeting for Maui County Renters & Homebuyers.pdf

Aloha,

Please find our organization's presentation for the 11/15 Affordable Housing Committee.

Mahalo,

Jeff Gilbreath *he/him/his* ([what's this?](#))

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Income Targeting for Maui County Renters & Homebuyers



Overview

- Current Affordable Housing System
- New Affordable Housing System
- Conclusions

The Hawaii Housing Planning Study is the best source of data available to determine real housing demand of local residents.

The study is developed every 5 years in partnership with the State of Hawaii, County Housing Agencies, Hawaii Public Housing, Office of Hawaiian Affairs, US Department of Housing and Urban Development, State Department of Human Services, Hawaii Tourism Authority, and State Department of Hawaiian Home Lands.

Current Affordable Housing System

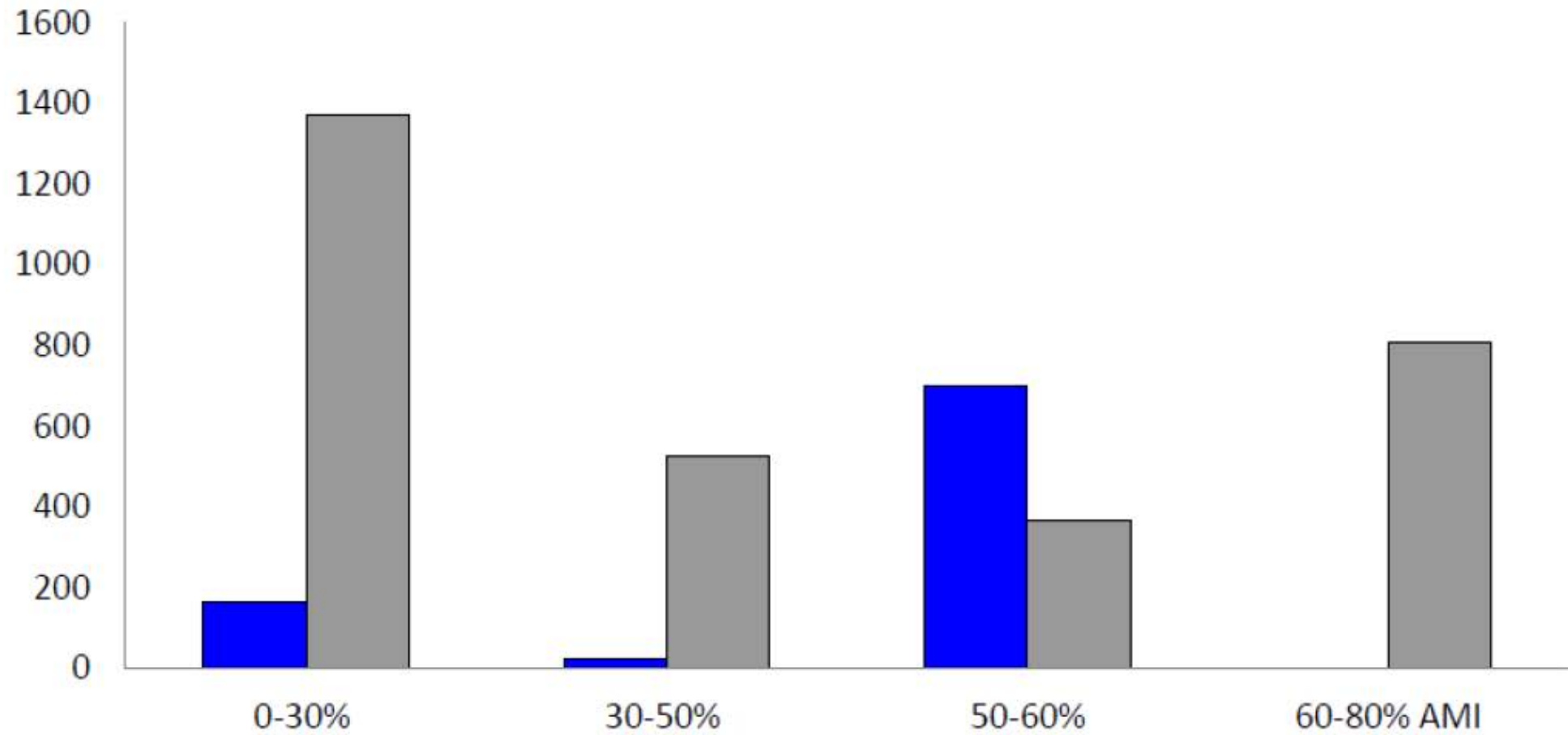
The current affordable housing system is not meeting the needs of Maui County residents.

From 2016

to 2020, only 20% of the housing needs for local residents below 140% area median income was met.

Rental Supply vs Demand

■ Built/ In Process (2016-2020) ■ Demand 2019 HHPS Study

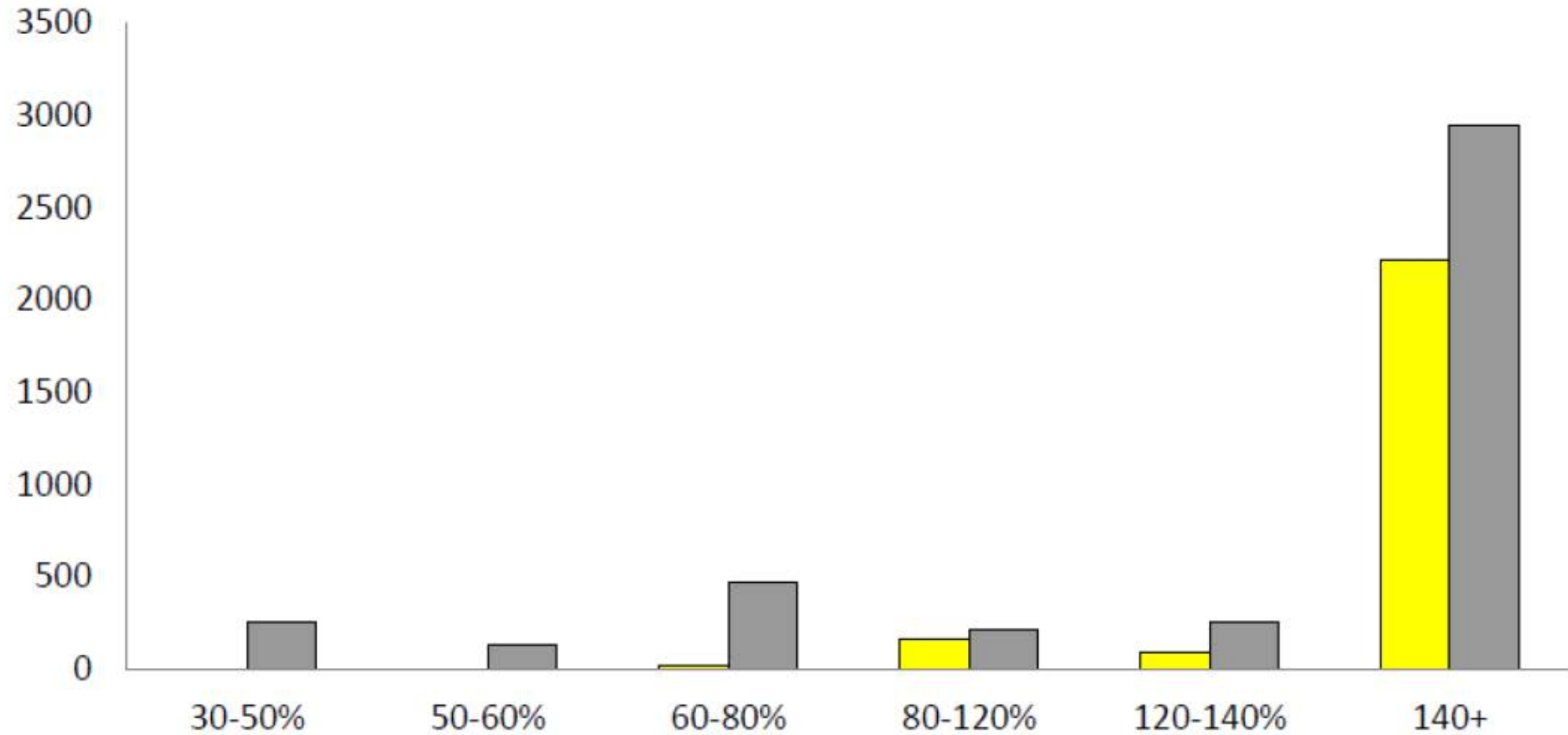


What this tells us

- Majority of rentals built were affordable for low-income households at 50%-60% AMI
- This is a result in how the current affordable housing system incentivizes new home construction
- 50%-60% AMI affordable rentals are built primarily by nonprofit developers using the State's Low-Income Housing Tax Credit Program
- Additional funding is provided by the State's Rental Housing Revolving Fund
- Limited funding comes from the County's Affordable Housing Fund

Ownership Supply vs Demand

■ Built/ In Process (2016-2020) ■ Demand 2019 HHPS

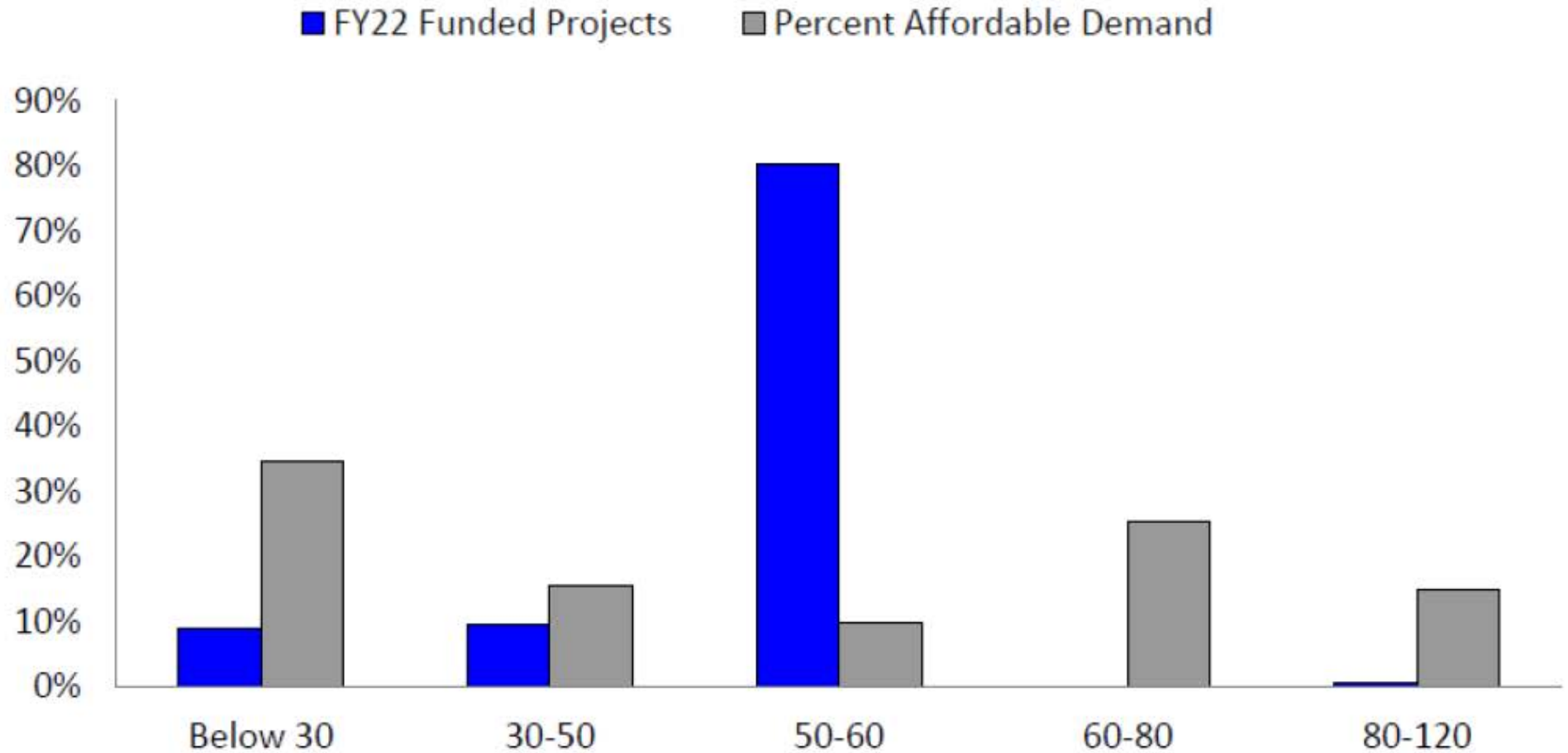


What this tells us

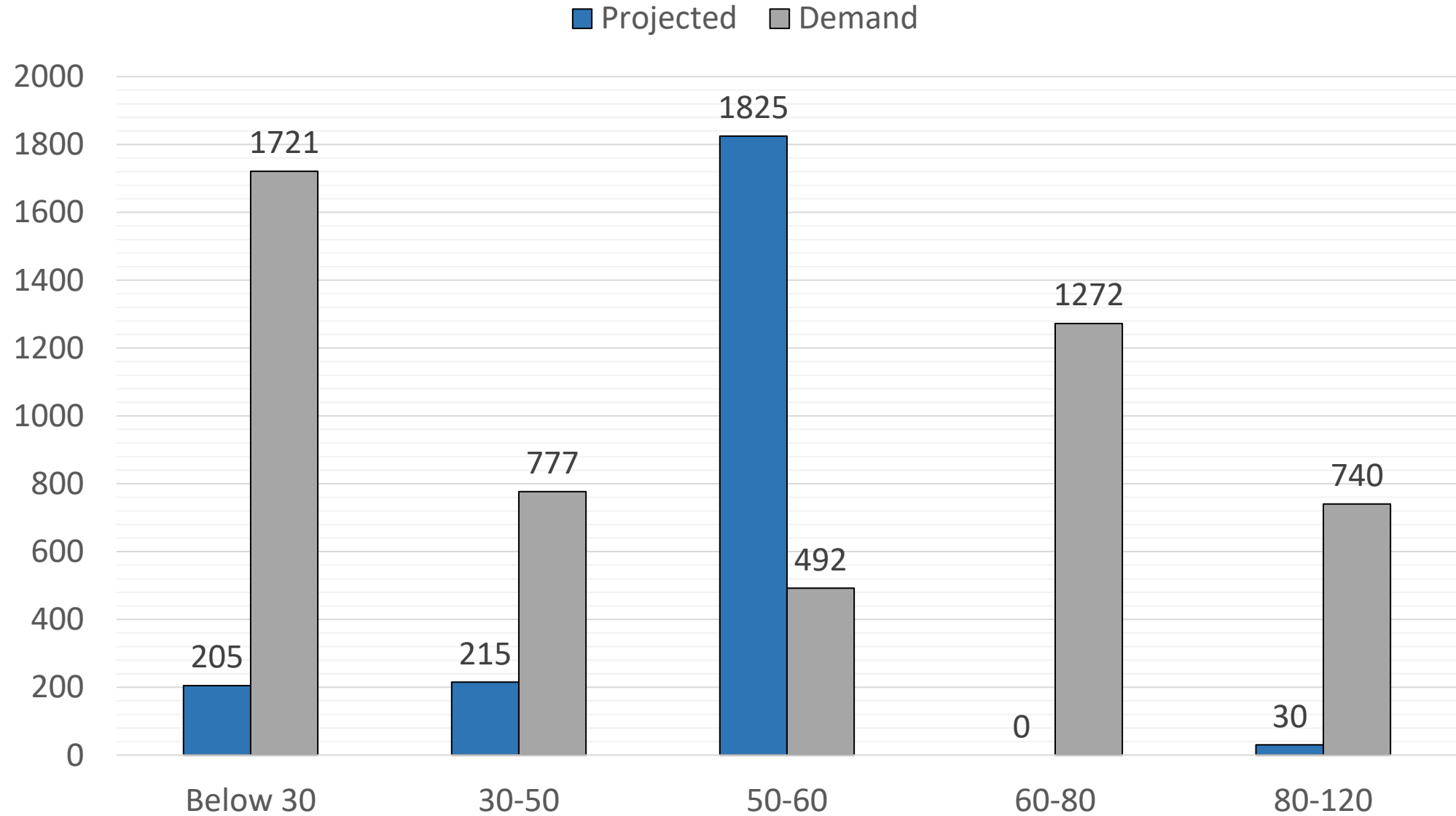
- Majority of for-sale homes built were affordable for moderate-income and above households at 100%-140%+ AMI
- This is a result in how the current affordable housing system incentivizes new home construction
- 100%-140%+ AMI homes are built primarily by for-profit developers
- 20% of all units in market rate developments are required affordable below 140% AMI under the County's existing workforce housing ordinance
- Limited funding comes from the County's Affordable Housing Fund

Under the current affordable housing system, there are few tools available to the county to meet the needs of extremely and very low-income households (below 50% AMI) and low- and moderate-income households (between 61% and 100% AMI).

FY2022 Projects vs Affordable Demand (Percent of Total)



Next 5 Years Based on AHF Funding for FY22 Projects



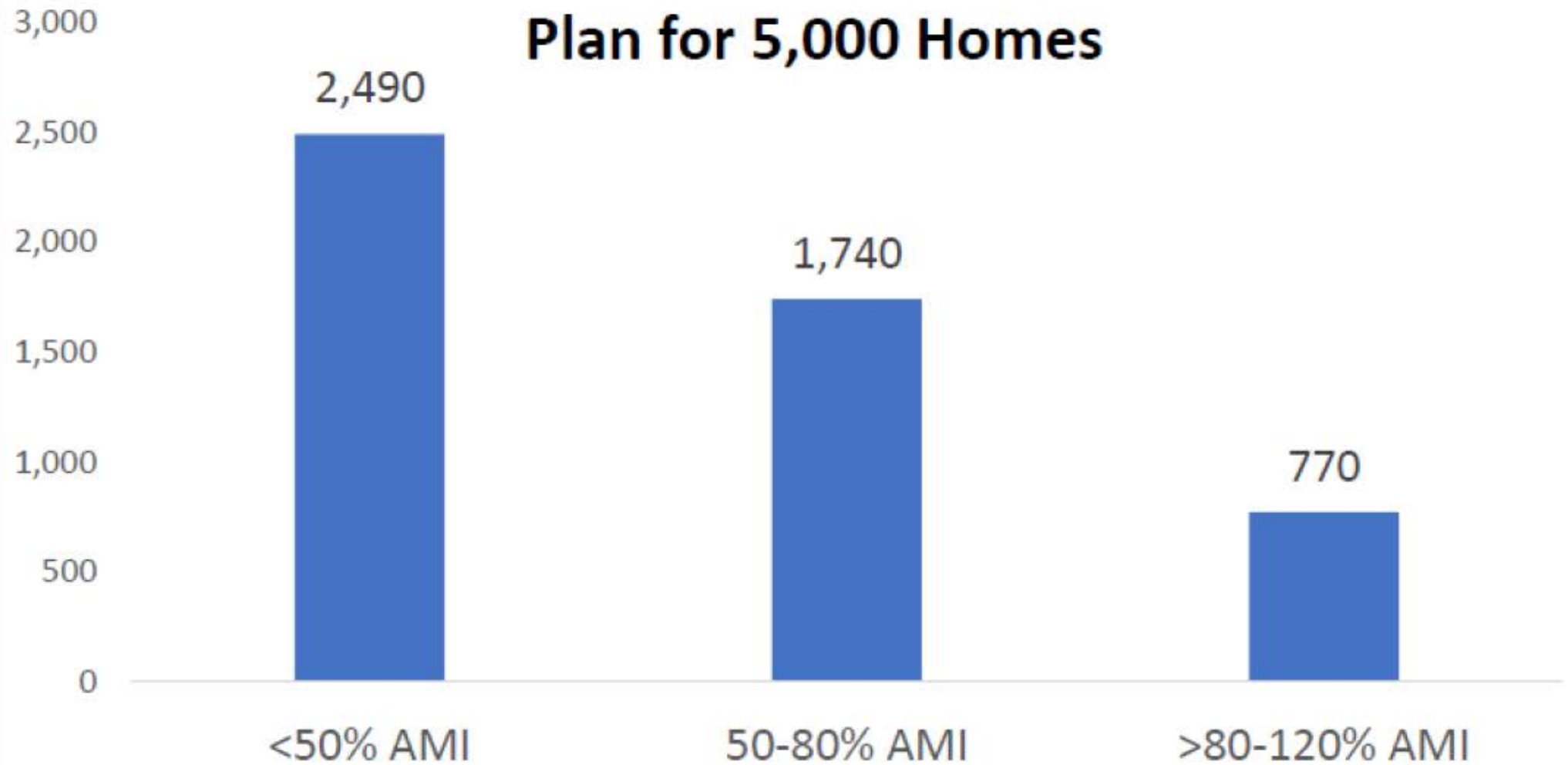
What this tells us

- If we continue with the current affordable housing system and funding as-is we will not meet the needs of Maui County residents
- In 5 years, we would provide 2,275 local residents with affordable homes and not serve 2,725 local residents who need affordable homes now
- There will be an over production of rentals at 50-60% AMI
- There will be gaps for all other income levels
- 60-80% AMI households will have no new affordable homes available to them

New Affordable Housing System

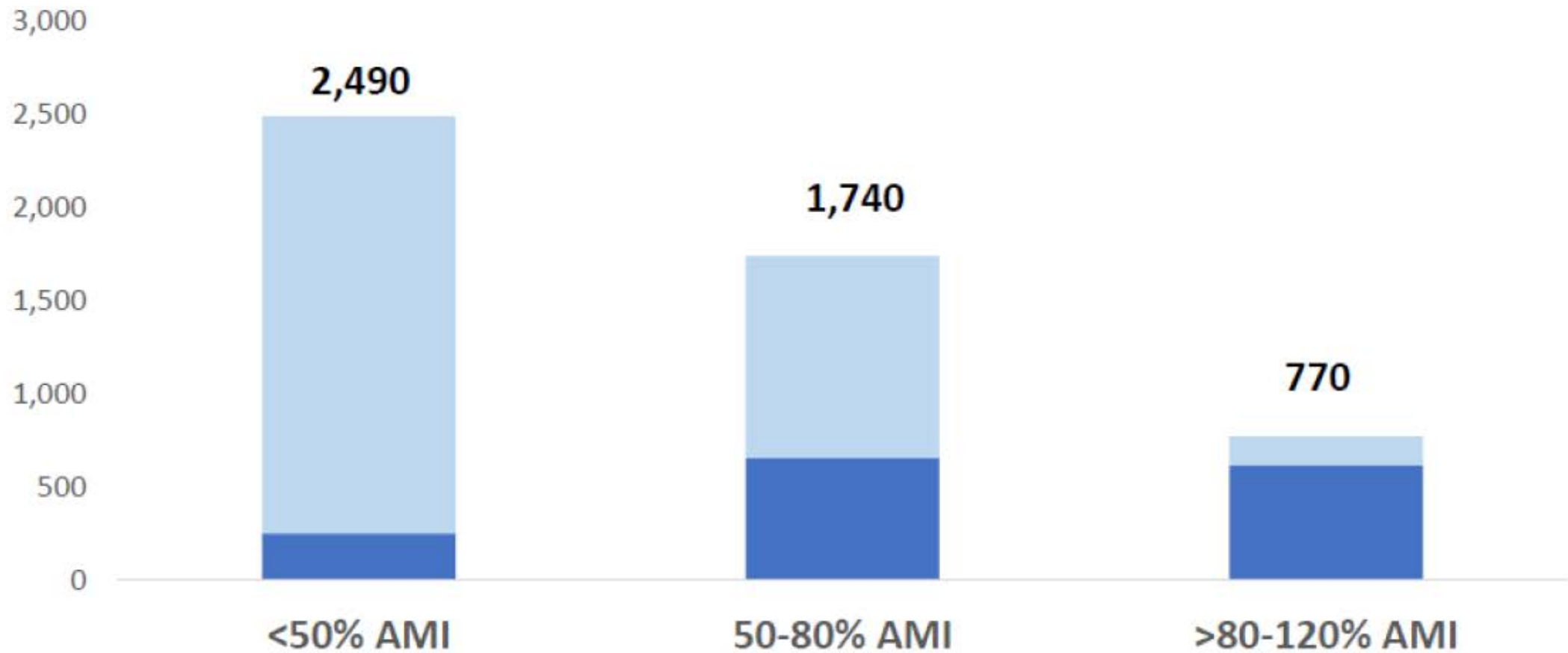
There are 5,000 Maui County households earning below 120% area median income that will need an affordable home by 2025.

Plan for 5,000 Homes



5,000 Affordable Homes: Ownership and Rental

■ Ownership ■ Rental

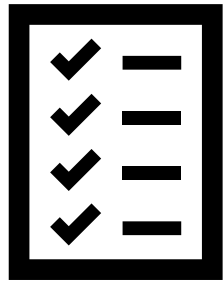


AMI	Goals	Priority Projects	Additional Strategies	Total	% of Total
Ownership					
>80-120%	616	616	0	616	12%
50-80%	654	654	0	654	13%
<50%	249	249	0	249	5%
Total	1,519	1,519	0	1,519	30%
Rentals					
>80-120%	154	123	31	154	3%
50-80%	1,086	871	215	1,086	22%
<50%	2,241	1,798	443	2,241	45%
Total	3,481	2,792	689	3,481	70%

What we know

- **To meet income targeting, the new affordable housing system MUST make investments in our local renters and homebuyers**
- Average investment in renter household = \$175,000
- Average investment in homebuyer household = \$150,000
- Investments will ensure our local people have a stable home
- A stable home has proven to result in better health and education outcomes for children and parents

How would income targeting work – rentals



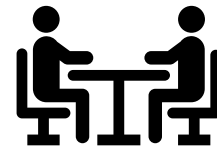
Developer applies for AHF funding & submits proforma with rents it can achieve without AHF funds



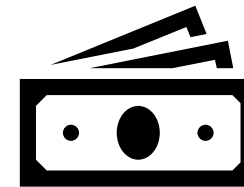
County reviews proforma



County determines AHF funds needed to meet income targets



County & developer negotiate & come to agreement on amount of AHF funds to meet income targets



County provides AHF funds at average \$175k per extremely- and very low-income renter household (below 50% AMI)



Developer receives 0% interest loan, no payment required as long as rentals remain affordable



Rental Housing Pro Forma
100 unit project

Unit Mix

Affordability Level	30% rent*		50% rent*		60% rent*		80% rent*	
1 Bedroom	4	567	10	961	4	1153		
2 Bedroom	10	692	19	1153	5	1384	4	1846
3 Bedroom	11	799	21	1332	8	1599	4	2132
Total	25		50		17		8	

* includes utilities

Development

Uses

Land	1,500,000
Offsite improvements	500,000
Construction	31,940,000
Builder O/GC/P	4,000,000
Contingency	3,400,000
Soft Costs	13,000,000
Developer Fee	3,400,000
Total	57,740,000

Sources

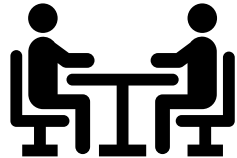
1st Mortgage	7,340,000
RRLF	6,000,000
State Credit	8,300,000
Federal 4% Credit	16,600,000
Affordable Housing Fund	17,500,000
Land and Offsite donation	2,000,000
	57,740,000

*Assumes infrastructure + land dedication

How would income targeting work – for-sale



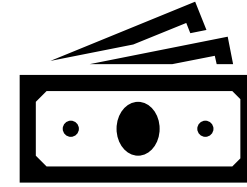
Developer partners with HUD housing counseling agencies to market homes to local homebuyers on County affordable housing list



HUD housing counseling agencies provide services to assist local homebuyers in qualifying for affordable mortgages, including USDA subsidized



HUD housing counseling agencies prequalify local homebuyers for expanded down payment assistance grants up to \$200k



County provides expanded down payment assistance grant to homebuyers for purchase



Local homebuyer purchases home & expanded down payment assistance grant stays with home as long as sold to homebuyer at same AMI level or below



	Private Land						County Land/Land Trust		
Sales Price	\$621,300	\$581,300	\$581,300	\$581,300	\$581,300	\$551,300*	\$426,300	\$426,300	\$426,300
Expanded DPA Grant	\$0	\$0	\$100,000	\$150,000	\$200,000	\$200,000	\$100,000	\$150,000	\$200,000
Purchase Price	\$621,300	\$581,300	\$481,300	\$431,300	\$381,300	\$351,300	\$326,300	\$276,300	\$251,300
Monthly Payment	\$3,256	\$3,056	\$2,566	\$2,306	\$2,056	\$1,906	\$1,779	\$1,527	\$1,402
AMI %	122%	115%	96%	86%	77%	71%	67%	57%	53%
	USDA 502 Subsidized								
	Purchase Price		\$481,300	\$431,300	\$381,300	\$351,300	\$326,300	\$276,300	\$251,300
	Monthly Payment		\$1,684⁺	\$1,380[#]	\$1,237[#]	\$1,151[#]	\$1,080[#]	\$937[#]	\$865[#]
	AMI %		63%	52%	46%	43%	40%	35%	32%

Assumptions

1. \$621,300 is the cost of a 1300 square foot single-family home
2. Infrastructure fee waivers for all homes under 120% AMI (\$40k)
3. County expands maximum amount for down payment assistance grants to \$200k and provides to prequalified homebuyers
4. County Land/Land Trust includes free land (\$75k), infrastructure fee waivers (\$40k), and subdivision improvements waivers (\$80k)

*Duplex to reduce land cost per unit

+USDA financing at 33-year loan term

#USDA subsidized financing at 38-year loan term, 1% interest rate, only available to households at or below 60% AMI

Conclusion

Conclusion

- **To meet income targeting, the County MUST invest in our local renters and homebuyers who are extremely-low, low- and moderate-income**
- Average investment: \$175,000 (renter) and \$150,000 (homebuyer)
- Rental projects will require infrastructure + land dedication + 0% interest loans to reach renters below 50% AMI
- For-sale projects on private land will require infrastructure + expanded DPA grants + USDA subsidized mortgages to reach homebuyers below 50% AMI
- For-sale projects on County land/trust land will require infrastructure + expanded DPA grants + subdivision improvements + USDA subsidized mortgages to reach homebuyers below 50% AMI
- **Annual USDA 502 financing is limited (FY21 State Allocation = \$4.9 million)**
- **Income targets should be contingent on subsidies being available and provided**