

## AH Committee

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**From:** Jeff Gilbreath <jeff@hawaiiancommunity.net>  
**Sent:** Friday, February 25, 2022 11:54 AM  
**To:** AH Committee  
**Subject:** HCA Presentation - 3.35 and 3.34 Changes  
**Attachments:** 3.34 and 3.35 Changes.pptx

**Importance:** High

Aloha Affordable Housing Committee,

Please see my presentation attached.

Mahalo,

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

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*Hawaii Community Lending is a 501c3 nonprofit Native community development financial institution that increases access to credit and capital for the economic self-sufficiency of underserved Hawaii residents with a particular focus on Native Hawaiians.*

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## 3.35 Changes

## 3.35.040 Use of Fund – Proposed Changes

E. Would limit AHF funds to 100% affordable projects or to any nonprofit or 501c3 community land trust

I. Allow for comprehensive assessments to protect valuable community resources and reduce costs of building affordable communities

J. Allow county to be proactive in engaging in long-term planning for affordable housing opportunities

K. Allow payment of AHF funds toward housing bonds

# Additional AHF Plan Recommendations

- **Use of Funds for Taxable and Non-Taxable Bonds.** County may use revenue into AHF to finance sale of bonds.
- **Address Lack of County Capacity.** Under grant and loan requirements, assign responsibilities to the “County or its administrator” or “designee”. Allow for distribution or redistribution of grant or loan funds “administrator” or “designee”.
- **Help Builders Leverage Private Capital with Patient County Capital.** Secure loans from the fund with a deferred payment mortgage in the highest position achievable.

# Additional AHF Plan Recommendations

- **0-3% Interest Rate and Defer Payments.** Generally, funds provided will not include interest. If interest is charged, the rate will not exceed 2% per annum for homeownership properties and 3% percent per annum for rental properties. All payments will be deferred until sale or refinance.
- **Reimbursement of Community Serving Infrastructure for Mix-Income Projects.** If the fund is used to pay for community serving infrastructure, the department shall establish a fair reimbursement for the market rate units benefitted by the infrastructure. Market rate units will reimburse the fund at building permit. Reimbursements will be permanently set aside in the affordable housing fund.

# Additional AHF Plan Recommendations

- **Address Defaults by Forfeiting Land or Repayment of Loan without Interest.** Limit borrower default actions to forfeiting land or property to the county or full repayment of the principal balance without interest.
- **Eliminate Adjusted Incomes for Hana, Lanai, and Molokai.** Take away the limits on family annual household income to qualify for affordable housing.
- **Carry Over Unspent Funds.** Allow for carry over of funds from one fiscal year to the next.

# Additional AHF Plan Recommendations

- **Increase Public Participation and Establish a Community Oversight Board.**  
“County or its administrator” will be responsible for managing a community oversight board responsible for developing an affordable housing fund annual plan. The committee shall consist of nine members with one-third private sector representatives, one-third community members, and one-third public representatives including the chair of the council’s affordable housing committee. Committee members will serve five-year terms and be responsible for reviewing, scoring, and recommending grant and loan applications made to the fund.

# Additional AHF Plan Recommendations

- **Monthly Meetings for Disbursement of Funds.** “County or its administrator” shall coordinate and conduct at least monthly committee meetings.
- **Development of Annual AHF Plan.** The department shall propose an affordable housing fund annual plan based on committee member recommendations.
- **Monitor Progress.** Report annually to the council on targets and metrics for the Affordable Housing Plan.

## 3.34 Changes

**A. To provide low-income renters and homebuyers with grants, loans, individual development accounts, down payment assistance.**

- **Grants** = Do not have to be paid back
- **Loans** = Have to be paid back
- **Down Payment Assistance** = Grant for down payment on a home purchase, this is an existing program
- **Individual Development Accounts** = Low-income renters or homebuyers save money over a specific period of time without withdrawals to qualify for match funds for down payment/closing costs or 1<sup>st</sup> month's rent/deposit.

## **Example – Individual Development Accounts**

- I am 80% area median income and complete housing counseling.
- I enroll in an individual development account.
- I save \$1000 over 6 months without withdrawals.
- I qualify for a matching grant of \$4000 match so I can use for down payment/closing costs paid to escrow at mortgage closing.

## **B. To provide deferred payment mortgages**

### **Deferred Payment Mortgages**

2<sup>nd</sup> mortgages, secured with a lien, and no monthly payment is required by homebuyer as long as home is owned by a low-income homebuyer

## Example - Deferred Payment Mortgage

- I am 80% area median income.
- I have qualified for a \$250,000 mortgage, but the home cost is at \$400,000.
- I would apply for a deferred payment mortgage of \$150,000 deferred payment mortgage from the county to make up the difference.
- County, or its designee, would conduct an assessment to determine the necessary amount of deferred payment mortgage.
- I would be approved for the loan and the loan would be a second lien on my property.
- I would not have to pay the loan back as long as I reside in the home or the home is sold to another 80% area median income buyer or below.

## **C. To provide rental housing gap financing.**

### **Rental Housing Gap Financing**

0% interest loans for rental housing projects to subsize extremely- and very-low income renters and increases builder's ability to target monthly rents to amounts local households below 50% area median income can afford

## Example - Rental Housing Gap Financing

- A Low-Income Housing Tax Credit (LIHTC) project builder proposes to build 100 rentals for households at 50-60% area median income.
- A builder applies for a 0% interest loan from the county.
- The county provides the loan so the builder can make a portion of their rentals affordable under 50% area median income.
- The builder receives the loan and does not pay back as long as the rents remain affordable to the income mix.

Note: This type of loan would not disqualify the builder from receiving their LIHTC support, while targeting affordability to extremely- and very-low income renters.

**D. To fund and provide financing for accessory dwelling unit development.**

### **Funding and Financing**

Grants, loans, or deferred payment mortgages to allow homeowners without the means to build ADUs/Ohana Units and be part of the housing solution

## Example – ADU Funding and Financing

- I own a home and am at 80% area median income.
- I cannot qualify for a mortgage from mainstream banks or credit unions.
- I apply for support from the county to build an ADU/Ohana Unit that I can rent out to local residents.
- County, or its designee, would assess me for a combination grant, loan, and/or deferred payment mortgage.
- County, or its designee, would approve me for the appropriate funding based on my ability to repay.

**E. To fund and provide financing for septic tank and wastewater system development.**

**Funding and Financing**

Grants, loans, or deferred payment mortgages to allow homeowners without the means for site development to build their own affordable homes and rental (ADUs/Ohana Units)

## **Example – Funding and Financing for Site Development**

- I own a home and am at 80% area median income.
- My family is living overcrowded in our home and I want to build an Ohana Unit, but my property is on cesspool.
- I cannot qualify for a mortgage from mainstream banks or credit unions to afford the build and transition from cesspool to septic.
- I apply for support from the county to build an Ohana Unit, including installation of a septic system.
- County, or its designee, would assess me for a combination grant, loan, and/or deferred payment mortgage.
- County, or its designee, would approve me for the appropriate funding based on my ability to repay.

**F. To provide long-term financing for housing projects.**

**Long-Term Financing**

Low-interest, long-term loans for rental housing and homeownership projects to assist with project costs

**G. To provide housing counseling services and the development of a prequalified list of eligible buyers and renters.**

### **Housing Counseling**

Fund HUD-certified housing counseling services to support the county's affordable housing list established through Ordinance 111