

HOUSING AND LAND USE COMMITTEE

Council of the County of Maui

MINUTES

March 10, 2025

Online Only via Teams

CONVENE: 9:10 a.m.

PRESENT: Councilmember Tasha Kama, Chair
Councilmember Nohelani U‘u-Hodgins, Vice-Chair
Councilmember Tom Cook, Member
Councilmember Gabe Johnson, Member (Out 2:55 p.m.)
Councilmember Alice L. Lee, Member
Councilmember Tamara Paltin, Member
Councilmember Keani N.W. Rawlins-Fernandez, Member
Councilmember Shane M. Sinenci, Member

EXCUSED: 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):

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.: Kristina Toshikiyo, Deputy Corporation Counsel, Department of the Corporation Counsel
Richard “Remi” Mitchell, Director, Department of Housing

OTHERS: Resource Personnel
James Du Pont, District Operations Manager, Department of Hawaiian Home Lands
Howard Kihune, Jr., President, Aina Lani Pacific LLC
Sandra Duvauchelle, President, Lehua Builders Inc.
Andrew Pereira, Director of Public Affairs, Pacific Resource Partnership
Peter Savio, President and CEO, The Savio Group of Companies
Linda Schatz, Founder, Schatz Collaborative
Lawrence Carnicelli, Developer

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Testifiers

Jasee Law
Lucas Olson
Lucienne de Naie
Brandi Beaulieu
Jordan Hocker
Elaine Bogard
Nara Boone, Maui Housing Hui
Albert Perez, Maui Tomorrow
Katie (no last name given)

Others (56)

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

CHAIR KAMA: *... (gavel) ...* Will the Housing and Land Use Committee meeting of March 10th, 2025, come to order. It is now 9:10 a.m. I'm 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're 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, I want to say aloha kakahiaka to Council Chair Lee, who's going to also share with us the word for the day.

COUNCILMEMBER LEE: Thank you, Chair. The word for the day, if you wish to use...use it is from Portugal, and it's bom dia. Bom dia. Of course, if you're Brazilian Portuguese, you would say bom gia (*phonetic*), so either way. Bom dia.

CHAIR KAMA: Bom dia. So, I want to say good morning and bom dia to our Committee Vice-Chair Nohe U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: Good morning and bom dia, Chair and everyone. I'm at my personal residence today, and I do have a minor sick child in the background you might hear occasionally coughing. But nice to see everyone.

CHAIR KAMA: Thank you. Member Yuki Lei Sugimura is excused, and we're going to say bom dia to Councilmember Tamara Paltin.

COUNCILMEMBER PALTIN: Bom gia, and aloha kakahiaka kākou. I do have a minor canine, you might hear her snoring in the background, but she's very well-behaved. Thank you.

CHAIR KAMA: Thank you, and good morning. I want to say bom gia to Councilmember Gabe Johnson.

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COUNCILMEMBER JOHNSON: Bom dia, Chair, Councilmembers, community members. There's no testifiers at the Lānaʻi District Office. I'm alone in my workspace, and ready to work. Bom dia.

CHAIR KAMA: Thank you. Now, we have to say bom dia, aloha kakahiaka to Councilmember Keani Rawlins-Fernandez.

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

CHAIR KAMA: Thank you. And we have Councilmember Tom Cook. Aloha kakahiaka and bom gia.

COUNCILMEMBER COOK: Aloha kakahiaka, bom dia, and there's currently no testifiers at the Kihei Resin...Residency Office.

CHAIR KAMA: Thank you. I want to say aloha kakahiaka and bom gia to Councilmember Shane Sinenci.

COUNCILMEMBER SINENCI: Hey, aloha kakahiaka, Chair, and bom gia kākou. Here at the Hāna District Office. There are no testifiers, Chair.

CHAIR KAMA: Thank you.

COUNCILMEMBER SINENCI: And I anticipate some workers coming in in a little bit. Thank you.

CHAIR KAMA: Thank you. Just let us know when that happens. We also have, from the Department of Corporation Counsel with us, Kristina Toshikiyo. Good morning and bom dia.

MS. MURAKAMI: Hi, Chair. Oh, this is Yukari Murakami from the Corporation Counsel. Ms. Toshikiyo's out of the office for a little bit, so I'm filling in for her until she comes back. Thank you.

CHAIR KAMA: Okay. Well, thank you.

MS. TOSHIKIYO: Act...sorry, Chair. Actually, I'm in here for just a little bit, and then Ms. Murakami's going to be covering, and then I have to step out, and then I'll be back. So, I'm sorry for any confusion.

CHAIR KAMA: Okay.

MS. MURAKAMI: Sorry.

MS. TOSHIKIYO: Thank you.

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CHAIR KAMA: If we need anything, we'll just call on Corp. Counsel, and whoever happens to be there will just go ahead and take the mic. Thank you for that. Appreciate it.

MS. TOSHIKIYO: Thank you.

CHAIR KAMA: We also have with us the Director...our Director of Housing. The Director is Remi Mitchell. Good morning, and bom dia.

MR. MITCHELL: Aloha, Chair and Councilmembers, and bom dia.

CHAIR KAMA: And we have other resources that...I want to call their names out, but I want you to know also that all the resources that the Members gave at our last meeting...there was quite a few of them. And you can see in Granicus that letters went out to invite all of them, and also to the questions that you all had asked, the questions also went out to all of them. Not all of them responded with a correspondence for that, but that's okay because they may show up. And so, let me just tell you too that in the beginning, many of them said yes because I think they were planning, and things happened just that they couldn't show up. So, for this morning's portion of today's meeting, the Maui County...Kaua'i Housing Director, Mr. Adam Roversi, again, couldn't be here, but he did submit a testimony last...at our last meeting, so I think that is still relevant. We also did not hear whether or not the former Aspen Mayor and Councilmember Rachel Richards was going to be, but we do have her down as a resource. And we have with us online Mr. James Du Pont, who is the District Operations Manager for the Department of Hawaiian Home Lands. Good morning, Mr. Du Pont. Aloha kakahiaka.

MR. KRUEGER: Oh, Chair, we...we do see Mr. Du Pont online, but maybe he's having some technical difficulties.

CHAIR KAMA: Okay.

MR. KRUEGER: But...but he is online.

CHAIR KAMA: Okay. Thank you. And so, Kim Bell Williams was contacted, was not able to attend, and Cindy Christiansen (*phonetic*) had to cancel her attendance due to an emergency meeting that just came up. But for the afternoon portion, we have Developer Ray Phillips; Principal from Schatz Collaborative, Linda Schatz; President of Aina Lani Pacific LLC, Howard Kihune; the President of Lehua Builders Inc., Sandra Duvauchelle; Director of Public Affairs, Pacific Resource Partnership, Andrew Pereira; and President and CEO of Savio Group of Companies [*sic*]; and Developer and Land Planner Lawrence Carnicelli. So, these are the ones that are coming in the afternoon session, but they have been invited to comment in the morning so that once all the comments are being...are done being made, we can do testimony, and then we can do our deliberations once that is all done. So, Members, if you...if there are no objections, I would like to designate the people I mentioned as resource persons under Rule 18(A) of the Rules of the Council. Each one has dealt with deed restrictions or similar policies in one way or another, from administrating restrictions to building deed-restricted

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homes. So, I also want to say good morning to our Committee Staff, who worked really hard on this in the past weeks, and I so do appreciate all your hard work and energy that you put into contacting these people, following up to make sure they were going to show up, or at least give comments. So, I want to say thank you to...and good morning to Senior Legislative Analyst James Krueger.

MR. KRUEGER: Good morning, Chair and Members.

CHAIR KAMA: And to our Legislative Analyst Ellen McKinley. Good morning.

MS. MCKINLEY: Good morning and bom dia, Chair and Members.

CHAIR KAMA: And I want to say good morning and bom dia to Committee Secretary Jennifer Yamashita.

MS. YAMASHITA: Good morning, Chair and Members.

CHAIR KAMA: And to our Legislative Attorney Carla Nakata. Good morning.

MS. NAKATA: Aloha, Chair and Members.

CHAIR KAMA: And to the Assistant Clerk who's also always faithfully taking testimonies outside, Lei Dinneen.

**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, and our three bills relating to residential workforce housing deed restrictions. Bill 22 (2024), Bill 12 (2023), and Bill 74 (2023), Relating to Residential Workforce Housing Deed Restrictions. So, I think we're going to do our comments, right? Okay. So, let's ask Mr. Mitchell, who's here, to do opening comments, and then we'll ask Mr. Du Pont from DHHL to give opening comments also.

MR. MITCHELL: Thank you, Chair Kama. For my opening comments, I'll just describe briefly how I view the challenge of making policy around deed restrictions. The restrictions themselves have to always be considered in the broader economic context of what's happening in the marketplace, and by that, I'm referring to, for example, things like the early 2000s high inflationary period of the dot-com bubble burst. I'm talking about the 2008 real estate...global real estate crash. I'm talking about the impacts of the wildfires. Those all affect the broader economy, inflation, interest rates, and by extension, they affect how the market views restrictions on...deed restrictions on property. So, with that, I view deed restrictions as a delicate balancing act between two different policy objectives. One is maintaining and developing a sustainable source of affordable housing units that meets the market's needs on the one hand, and the other is minimizing the friction points in the policy that lead to negative impacts in the

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marketplace, and some of those can be referred to as how banks will view deed-restricted homes, and whether they're interested in underwriting and lending on those homes. And so, that balancing act is a tough one because it's always subject to what's happening in the larger marketplace. The other challenge with deed restrictions is that restrictions in themselves have an internal conflict, and that conflict relates to maintaining the affordability of the home on the one hand, and then providing reasonable shared equity on the other so that you don't force the unit out of an affordability status, but you provide reasonable opportunities for everyone to develop wealth through home ownership. And then finally, when we talk about deed restrictions, I've noticed as I've looked at the various pieces of communication that come in, we spend a lot of time talking about the length of the deed restriction as the focal point of the policy, and I'd like us to consider that it's not just the length that should be part of the focal discu...the policy discussion, it should be what I call the nontemporal deed restrictions. The things that don't relate to time, whether it's the qualifica...income qualifications, whether it's the process for the County exercising its right of first refusal to sell. Whatever the case is, whether it's the...the nature of the shared equity program and how that works, if one can make the nontemporal deed restrictions as appropriately frictionless as possible, that makes the overall program work even better. So...so, with that, I'll just end my opening remarks. Thank you, Chair.

CHAIR KAMA: Thank you for your comments. That sure is thought-provoking. Thank you. Mr. Du Pont, are you with us? Did you come back? He's there? Okay.

MR. DU PONT: Yes, I did.

CHAIR KAMA: Oh, okay.

MR. DU PONT: Yeah. Bom dia.

CHAIR KAMA: Oh, bom dia. Welcome. So, we'd like to see--or listen to your opening comments regarding...I think you got the correspondence from our office, so we just want to hear your comments on that.

MR. DU PONT: Okay. Yeah. Good morning, Council Chair and Members of Maui Council. The Department of Hawaiian Home Lands issues 99-year leases on our...to our beneficiaries that are on the waitlist. So, since we're talking directly about Maui, the Department does have a specific Maui residential waitlist, and it's those individuals that are applicants that are contacted whenever the Department is considering awards. And so, each person, once they sign the lease, lease term is 99 years at a dollar-a-year lease rent. And depending on the situation with the lessee, the Department has various options for financing. And so, we have HUD and FHA loans, Veterans Administration loans, rural development, and we have direct department loans. So, typically, you know, our lessees would have to go through the qualification process to determine whether or not they would be able to obtain these mortgages. And...and so, I don't know if there's anything specific that the Council wanted to hear. I do have that list of questions that James provided.

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CHAIR KAMA: Okay. Well, you know what, Mr. Du Pont? Right after you folks speak, we're going to have testimonies from people who might want to comment on that, and then we'll bring you back with Mr. Mitchell, and the Council will be able to have an opportunity to ask questions. That might be a lot more helpful.

MR. DU PONT: Okay.

CHAIR KAMA: But we can also send you the questionnaire too. Can we send Mr. Du Pont the questionnaire, James? Thank you. So, it's on its way.

MR. DU PONT: Okay.

CHAIR KAMA: So, you should have some time during testimony to at least rifle through them. . . .(laughing) . . . Thank you. So, hold up. We'll be right back.

MR. DU PONT: Thank you.

CHAIR KAMA: Thank you. Okay. Get my notes over here...okay. Do we have any other online resources that want to comment, Staff?

MR. KRUEGER: Chair, we don't have anyone else online --

CHAIR KAMA: Okay.

MR. KRUEGER: -- at this time for our --

CHAIR KAMA: For our morning session?

MR. KRUEGER: -- for our opening comment portion. Yes.

CHAIR KAMA: Okay. Okay. Okay. So, I guess we should go into testimony right now.

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

CHAIR KAMA: So, in accordance with the Sunshine Law, as Chair, I will be calling for testimony for our single agenda item after receiving opening comments from our resources. So, again, Members, please hold all your questions until after testimony has been closed. So, Members, this has been our third meeting this year on Bill 22, 12, and 74, and previously, we decided to consider the County's deed restrictions in--sorry, I should have read this earlier--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 impact on local families who we're trying to assist. So, to that end, we have two meetings this week so we can have enough time to meet with our various resource persons. But for today's meeting, we'll first hear from resources from our government agencies, which you just heard, and in the afternoon, we'll continue deliberations with the help of representatives from the development industry. So, you've already heard

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Director Mitchell, and you've already heard Mr. James Du Pont. So, they've already did their comments, so we're going to continue with testimonies. So...but thank you very much for your comments, and we're going to continue. So, for Microsoft Teams...participants logged in via web or the Teams app, please indicate that you would like to testify by clicking the raise-your-hand icon in the top right of your window. Staff will add your name to the testifier list. If you're joined by telephone, star-5 will raise your virtual hand and Staff will put your name on the testifier list. Please keep your audio and video muted until you are called to testify. Written testimony is encouraged, and can be submitted via...via the eComment link at maucounty.us/agendas. Oral testimony is limited to three minutes per item. When you have reached the two-minute mark, you will hear an audible notice. If you're still testifying when the notice sounds, please complete your testimony within the remaining minute. When testifying, we ask that you state your full name for the record. Anonymous testimony is also accepted. Decorum will be maintained throughout the meeting. Violation of decorum may result in being removed from the Chamber or the online meeting. You can also view the meeting on *Akakū* Channel 53, Facebook Live, or maucounty.us/agendas, and thank you all for your cooperation. So, at this time, we're going to call on our first testifier. Staff?

MS. MCKINLEY: Chair, the first testifier is Jasee Law, to be followed by Lucas Olson, who is currently the last person signed up.

CHAIR KAMA: Wow.

MR. LAW: Aloha kakahiaka, Luna Ho'omalua Kama.

CHAIR KAMA: Aloha kakahiaka.

MR. LAW: Aloha, everybody. Chair, you usually give me a little bit of leeway on my testimony as far as the relevant...relevation [sic] --

CHAIR KAMA: It has to be relevant to what's on the agenda --

MR. LAW: Oh, yeah.

CHAIR KAMA: -- which is the three bills and whatever comments you might have heard.

MR. LAW: Relevation [sic], is that a word? Relevant to the subject. Yeah, I'm --

CHAIR KAMA: Yeah.

MR. LAW: I did graduate [sic] high school. So, I heard on the radio today that it's Women's History Month, and I thought about you. And I have a picture here of Queen Lili'uokalani. I don't know if the camera can get that, but when she was younger, you guys look a lot...similar. So, I thank the OCS Office because I have no resources to print out, or computer, or...or books, or anything, and so...yeah, that's not relevant to this, but I wanted to read this about Queen Lili'uokalani, Hawai'i's only reigning queen. This

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is a quote from her from a letter to President McKinley protesting the annexation of Hawai'i, 1897. I, Lili'uokalani of Hawai'i, do hereby protest against the ratification of a certain treaty which has been signed at Washington, purported to cede those islands to the territory and dominion of the United States. I declare such a treaty to be an act of wrong towards the native and part-native people of Hawai'i, an invasion of the rights of the ruling chiefs in violation of international rights, both towards my people and towards friendly nations with whom they have made treaties, the perpetuation of the fraud which...whereby the constitutional government was overthrown, and finally, an act of gross injustice to me. Lydia Lili'u Lo... . . .(timer sounds). . . Oh, shoot. I'll just say her name, and then that will be it. You guys can look on --

CHAIR KAMA: Sorry...sorry, Mr. Jasee Law --

MR. LAW: Oh, that's fine.

CHAIR KAMA: -- but that is not relevant to our agenda today.

MR. LAW: It is.

CHAIR KAMA: But we thank you.

MR. LAW: She was the Queen of Hawai'i, and this was her land, her 'āina, and we're talking about 'āina.

CHAIR KAMA: But we're talking about deed restrictions today.

MR. LAW: Right, and she would have been --

CHAIR KAMA: So --

MR. LAW: She's --

CHAIR KAMA: -- I would ask you --

MR. LAW: She's here. Just let me say her...her real name. Lydia --

CHAIR KAMA: Your time is up. The bell has rang. You did have one minute.

MR. LAW: The...the timer means I got 30 seconds left.

CHAIR KAMA: Yes, but your one minute --

MR. LAW: So, please.

CHAIR KAMA: -- also has to --

MR. LAW: You're wasting my 30 seconds right now. Please.

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CHAIR KAMA: No, actually, I'm not. You're wasting our time if you continue to talk on the subject that is not part of today's agenda. And if you can do it, everybody else will do it too, and we'll never get to our agenda.

MR. LAW: Yeah, I think she would let me talk, to that's...thank you for letting me make a point here because...

CHAIR KAMA: But right now, you are...you are out of order, Mr. Law.

MR. LAW: Let's hear it.

CHAIR KAMA: Yes.

MR. LAW: Okay. Good.

CHAIR KAMA: Thank you.

MR. LAW: Thank you for that. At least you...at least you let me know where you stand there, Queen of Kahului. Heil Hitler.

CHAIR KAMA: Oh, okay. So, staff just informed me, Members, that we didn't confirm that there were no objections to Rule 18(A). I don't even remember if I asked for 18(A) for the resources. So, if there are no objections for the resources?

COUNCILMEMBERS: No objections.

CHAIR KAMA: Thank you. Thank you. Our next testifier, please?

MS. MCKINLEY: Chair, the next testifier is Lucas Olson, to be followed by Lucienne de Naie. Mr. Olson, you are unmuted on our end. If you could unmute the microphone on your end.

MR. OLSON: Okay. Good morning. Can everybody hear me?

CHAIR KAMA: Yes.

MR. OLSON: Okay. Good morning, Council. First of all, thank you for this opportunity to be here to speak on behalf of myself and Hale Kaiola Workforce Housing in Kihei. I know some of you are...some of you may be volunteer, and we appreciate your service to the community. So, just...just a few things, please. We're finding...we would like our deed restriction requea...I'm sorry, decreased from 20 years. We're finding that increasing HOA dues because of fire insurance, also dues that misrepresented amenities that were not provided in our original signed contract are increasingly and rapidly making this more unaffordable right out of the gate. We do realize owning a home on Maui is a blessing, but we are finding that families are starting to struggle because of the current economic situations and interest rates, kind of the list goes on. So, we also feel like if

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we're held to these deed restrictions, if we ever get into a situation where we're unable to afford the home and we have to sell the home in order to just continue to survive, we feel like we're going to have a really hard time selling that in a reasonable amount of time. We don't feel like most people are going to be able to afford to pick up where we left off in these certain conditions, which would make us . . . *(timer sounds)* . . . pretty much stuck. We feel, also, like--I do speak on my...for myself and behalf of some other members here who aren't able to be here because they are working. It is Monday, and this is workforce housing, so this does make it tough for the local community as well to attend these meetings and speak for themselves because we are all working. We're not on vacation, and we're not here part-time. We also feel like this deed did help the developer make its money initially, and it's now starting to show negative long-term effects with countless builder issues, and unexpected and misquoted costs, including flood due to lackage [*sic*] of drainage. Like I said, builder issues. We--our builder isn't even following through with his two-year builder issue now with County-imposed laws that I believe came into effect within the last couple years. It has been very tough for the owners at Hale Kaiola . . . *(timer sounds)* . . . and we feel like we do also have a long struggle and fight ahead of us when it comes to these issues. And any help we could get, we know that during times there may be exceptions that may be needed, and we're hoping that we can get some help from the State and County and island that we love to be on. If I may just...just then, I...I do apologize for my...the lack...my lack of information here, but I did hear that this may be a three-day meeting, and I just wanted to confirm that and ask if this is the only day that owners or members of the community can testify to this issue.

CHAIR KAMA: Okay. Yes, it is, for the two days. And I think next week Wednesday, right?--we're going to have it again. We're going to repost, right?

MR. KRUEGER: Chair --

CHAIR KAMA: We're going to repost for all.

MR. KRUEGER: It's possible, if the...if the Committee doesn't finish, that it could --

CHAIR KAMA: Oh, okay.

MR. KRUEGER: -- it could post again for...for Wednesday.

CHAIR KAMA: Okay. It's possible. But we have Members of the Council who would like to ask you clarifying questions, Mr. Olson. We'll begin with Chair Lee, followed by Member Paltin.

COUNCILMEMBER LEE: Hello, Mr. Olson. Thank you for testifying. Appreciate your testimony because you're an actual --

CHAIR KAMA: Homeowner?

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COUNCILMEMBER LEE: -- homeowner, subject to these deed restrictions, as opposed to people who are just commenting academically. Mr. Olson, so what would you suggest would be the fair duration of a deed restriction?

MR. OLSON: I...I believe, just by chatting within our community--because we do have our...our monthly and yearly meetings, and this is one of the hot topics--I mean, most of us feel like a 10- to 12-year deed restriction wouldn't be unfair. We feel like it would accomplish what it was set out to do, to keep these homes within local families and out of the way of, you know, the flipping of houses and just letting --

COUNCILMEMBER LEE: Okay. Thank you very much.

MR. OLSON: -- the people that don't live on Maui own--yes.

COUNCILMEMBER LEE: Thank you.

CHAIR KAMA: Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Mr. Olson, for your testimony. I just wanted to clarify, this project that you're an owner of, when...when did you purchase?

MR. OLSON: We...we purchased...I guess when...when we purchased, or we moved in? I don't know the exact date of our purchase, but I do know that we moved --

COUNCILMEMBER PALTIN: Oh, just the year.

MR. OLSON: -- into our home --

COUNCILMEMBER PALTIN: Do you know the year?

MR. OLSON: Oh, yeah. Yeah, this was 2023, I believe.

COUNCILMEMBER PALTIN: Okay. And then this is a multifamily, not a single-family project; is that correct?

MR. OLSON: Yeah, it is a complex composed of duplexes. I don't know if that helps clarify.

COUNCILMEMBER PALTIN: Duplexes. Okay. And then I was wondering if you could clarify what you meant by builder issues and flood?

MR. OLSON: Yes. So, I'm...I'm sure I don't think I need to...I don't think I need to badmouth a specific builder. I'm pretty sure you all can look up who our builder was at Hale Kaiola very easily.

COUNCILMEMBER PALTIN: Mister . . .*(inaudible)*. . .

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MR. OLSON: Not too sure if that was...if--that's not who I have. That's not who we have been in contact with for builder issues.

COUNCILMEMBER PALTIN: Oh, okay.

MR. OLSON: We've been in contact with Betsill.

COUNCILMEMBER PALTIN: Okay. And --

MR. OLSON: Yeah. So --

COUNCILMEMBER PALTIN: And what was the nature of the builder issues and how it relates to--I'm...I'm not clear what--how the builder issue relates to the deed restriction.

MR. OLSON: Got you. The builder issues aren't being corrected by the builder within the two-year builder warranty, and they pretty much have ghosted all of our owners, so now it's up to the owners to take care out of their pockets to fix these issues. This is a brand-new development, and so this is all money coming straight out of our pocket just to fix the stuff that should have been honored by the builder. The homes were cheaply made. They brought in out-of-country workers, inexperienced workers, and probably nonauthorized workers to do some of this work. I could...I could...I could send you over a spreadsheet with a list of probably 100 issues, at least, composed by all of the owners at Hale Kaiola. Most of them shared as well. I think it would take too much time if...if you wanted me to go down the list of the builder issues, but pretty much the main thing is...is that we're having to cover it. It's just more money and more money. Our HOA dues have almost doubled in the year and a half that we've been here. And that wasn't just due to the fire insurance increase. It was all of the amenities that were promised in our contract that we signed for that we're now having to cover the cost of --

COUNCILMEMBER PALTIN: Can you --

MR. OLSON: -- as new HOA dues.

COUNCILMEMBER PALTIN: If you would, or maybe--I don't if your HOA or...or whomever, if you could send that to the Committee, that would be excellent. And have you...have you guys contacted a lawyer or like the business...what is it, Better Business or something? Any...any outside --

MR. OLSON: Better --

COUNCILMEMBER PALTIN: -- entity to assist you?

MR. OLSON: We have, yes. Hale Kaiola's HOA has sought legal counsel for this issue, so I'd be happy to pass along any and all information and contacts regarding these issues.

COUNCILMEMBER PALTIN: Yeah. I think it's the HL...if--here's the contact to send it to is hlu.committee@mauicounty --

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MR. OLSON: Um-hum.

COUNCILMEMBER PALTIN: -- .us. If you can send us all of that information. But...so, just to clarify, it's costing you much more than you anticipated an affordable home costing you, and so you want to be able to sell within 10 or 12 years at a much higher rate because you are now paying to fix all of these issues that should not have been your kuleana?

MR. OLSON: Not really. No, not necessarily.

COUNCILMEMBER PALTIN: Oh, okay.

MR. OLSON: We just won't be able to afford it, and we...and we may be...we may be forced to sell. And if that comes time, we're...we're not sure that we're going to be able to...be able to sell this to a qualified workforce housing person because we don't think they're going to be able to afford it, especially with the interest rates and the H...the HOA dues, we're...we're not even sure that--if there's any other workforce housing on Maui that has HOA dues that has deed restrictions. It makes it much more complicated with these rising unexpected costs --

COUNCILMEMBER PALTIN: So --

MR. OLSON: -- and we're --

COUNCILMEMBER PALTIN: So, you --

MR. OLSON: -- we're figuring that out quickly.

COUNCILMEMBER PALTIN: If you have to get out, you don't think that there would be other qualified workforce housing buyers is what you're saying?

MR. OLSON: I think that there...I think that there may be, but I think that it would be very difficult and a lengthy...a lengthy process, and that would just keep...keep us having to try to keep these mortgages afloat so that the bank doesn't repossess this home.

COUNCILMEMBER PALTIN: Okay.

MR. OLSON: We feel trapped. We feel...we feel trapped and...we feel trapped, we feel misled, and this is...this is not due to the County, these are--you will discover all this in our builder issues that we have and contractual issues, and we...yes, ma'am. I'll just --

COUNCILMEMBER PALTIN: Yeah. If --

MR. OLSON: -- kind of stop there.

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COUNCILMEMBER PALTIN: If you can send that. I mean, I don't know...I mean, if it's builder issues, but, you know, when--I think...I think I got to stop talking because I'll start discussing. But if you could send all that information, it would...it would be helpful, and I think we would also like to look into the builder issues, and the residential workforce housing agreement, and make sure that the County isn't doing business with folks that do this type of issues that you are talking about in the future.

MR. OLSON: Thank you. Thank you. That...I appreciate that last comment. I didn't want to say that directly because I felt like it was your kuleana to determine if you needed to keep a better eye on the builders that are subcon...or not subcontracted under you, but this is a County...this is a County-planned opportunity, and anybody that is working for it should probably be upheld to keeping...keeping this the best situation for the local community since it is especially County-sponsored.

CHAIR KAMA: Thank you, Mr. Olson. Members, any other questions --

MR. OLSON: Yes.

CHAIR KAMA: -- for Mr. Olson? Seeing none. Thank you.

MS. MCKINLEY: Chair, the next testifier --

MR. OLSON: And Miss....Miss...I'm sorry, Ms. Kama, if I may --

CHAIR KAMA: Yes.

MR. OLSON: -- if I may just ask one more question and I'll be done for the day, ma'am? There was an email sent to Shannon Sheldon from--I'm sorry, pardon me, from Shannon Sheldon at Horovitz Tilley LLC, which is a law firm, to Richard E. Mitchell at the Department of Housing, County of Maui, discussing concerns of contract and deed disputes and legalities, and I'm wondering if you all are aware of that.

CHAIR KAMA: I'm not sure if we all are aware of that, but that is something that will be probably discussed at a later time. But thank you for that information. Next testifier?

MS. MCKINLEY: Chair, the next testifier is Lucienne de Naie, to be followed by Brandi Beaulieu...Beaulieu, sorry.

MS. DE NAIE: Aloha.

CHAIR KAMA: Aloha.

MS. DE NAIE: Lucienne de Naie here. Good morning to you all, and thank you for tackling this important subject. You...you know, you have a tough decision to make. Certainly, there are case-by-case reasons why extending the amount of time that deeds are restricted do put hardship on individual owners, and it's sad to hear about this project there off Ohukai because I, in person, did support this project because the integrity of

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the builder. But people from the community came out in droves to say that there were drainage issues, and I guess we all should have listened...because then the costs just get passed on, and we should have asked some harder questions. But a lot of the projects that are subject to these deed restrictions are single-family homes, they may be subject to homeowners' association dues, they may be not. I think that the Committee really needs to, you know, understand the complete picture and what is affected by what. I see you have some experts on. I'm not sure if you have experts on that aren't from the industry side. Because all I know is that when people ask me just as a citizen and as...and as a member of...of a group that advocates for affordable housing solutions, Stand Up Maui, why don't affordable houses remain affordable for a longer period of time? You know, like ten years, eight years, five years, our...our current cut-off times seem very short, and then we just have market...more market-rate houses that aren't mostly going to our local buyers. What can we do? . . .*(timer sounds)*. . . And extending seems to be one of the things that we could do. So, the question is, how could we do it in a way that it doesn't harm people? Thank you for your consideration.

CHAIR KAMA: Thank you for that testimony. Questions for our testifier, Members? Seeing none. Thank you. Staff, our next --

MS. DE NAIE: Mahalo.

CHAIR KAMA: -- testifier?

MS. MCKINLEY: Chair, the next testifier is Brandi Beaulieu, to be followed by Jordan Hocker.

MS. BEAULIEU: Aloha, everyone. Thank you so much for giving us the opportunity to speak today. My name is Brandi Beaulieu. I also reside with Lucas at Hale Kaiola in Kihei. I am also the secretary on the HOA Board of Directors, so we will be touch...in touch with you regarding the information that Lucas had shared earlier. I just wanted to basically share the sentiments Lucas had shared. It...it is shared across our community here in Hale Kaiola. But personally, you know, I grew up just around the corner from Ohukai Street, right here in Kihei. I'm born and raised here. My mother was born in Lāhainā, raised by her mother, who was born in Lāhainā, and this is my home, and I am so lucky, and, you know, the workforce housing opportunity was really the only opportunity for homeownership for me. I am unmarried, I have two children under the age of four, and I am so grateful for this opportunity. I purchased my home...I closed on this home maybe a week before the Lāhainā fires. And as Lucas had shared, you know, after that, with the insurance rates, we saw our HOA fees double, you know, and that's just a part of raising costs...rising costs that we're all experiencing across the board. I purchased the home in the purchasing process with the realtor at the time, and being familiar with other workforce projects I was looking into, I was always under the impression that it was a ten-year deed restriction, so I was...you know, it is my responsibility. I signed the paperwork. Call me naïve, but I was surprised to actually--I didn't find out until our first board meeting that the deed restriction was 20 years . . .*(timer sounds)*. . . so that was quite a shock to me. But thank you for your time. Again, we're just here to represent Hale Kaiola and...and hopefully express how this does challenge us. Thank you.

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CHAIR KAMA: Thank you, Brandi, for your testimony. Members, questions? We have questions from Member Paltin, Brandi.

COUNCILMEMBER PALTIN: Thank you for your testimony, Ms. Beaulieu?

MS. BEAULIEU: Beaulieu, yes.

COUNCILMEMBER PALTIN: Beaulieu. And so, my question is, if...if there were no deed restrictions, would you be trying to sell...or get out of this right now?

MS. BEAULIEU: Right now, I am surviving. I am making it. I'm making it work. I want to live on Maui. I want to live here. I want to raise my kids here. Like I said, this is like my pride and joy right now, being here. I knew homeownership would be challenging. It's been far more challenging with, you know, the things that Lucas mentioned with our developer issues and all of that. So, no, my long-term goal is not to sell, but it is...it does make me fearful that should things get worse, that I would...you know, I would...we would kind of be stuck, as Lucas --

COUNCILMEMBER PALTIN: And...and the --

MS. BEAULIEU: -- Lucas expressed, yeah.

COUNCILMEMBER PALTIN: The concern is you wouldn't be able to follow...find a qualified workforce housing buyer quickly? Is that...

MS. BEAULIEU: Yes. So, at the time that I was purchasing my unit, I was...I bought...I purchased one of the last units here. My interest rate is...is at the higher end. When I came to an open house, by the time I had shown up to look, they're like, oh, it's already spoken for. We have somebody in the works. There's no more units. I got a call by the end of the week saying, oh, we had one open up. Financing fell through. And then...but that was the last unit. That's the unit I bought. And then in...during my closing process, two, three, four other units came available for other people to purchase. What does that say? People who qualified, you know, with their...with their salaries could not qualify with the bank because of the interest rates. So...and...you know, and that was in 2023, so I...I don't...you know, of course, the market changes, and things could get better for people. But if they continue on the way they are, and who knows for how long, people won't be able to get the financial backing from the bank to even purchase. Qualified buyers, as far as their income, it's...it just doesn't make sense with the interest rates. They wouldn't be able to...there would be no buyers.

COUNCILMEMBER PALTIN: Do...do you recall what the interest rate was at that time?

MS. BEAULIEU: My interest rate, it's...it's 7.25.

COUNCILMEMBER PALTIN: Um-hum. Okay. Thank you. I...I think --

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MS. BEAULIEU: Thank you.

COUNCILMEMBER PALTIN: -- Miss...Councilmember U'u-Hodgins has her hand up.

CHAIR KAMA: Okay. Member U'u-Hodgins, questions?

VICE-CHAIR U'U-HODGINS: Thank you. Thank you so much for testifying. I think yours and Mr. Olson's testimony has been really interesting for us to hear. Did you say you didn't find out about the deed restrictions into...until you had like a homeowner's meeting? Can I...can you clarify what that was like for you?

MS. BEAULIEU: It was...like...like I say, like I accept full responsibility. I understand...you know, I did my best to read through the contracts. I actually did research. You know, I...I looked up on the County website, everything I saw said ten years.

VICE-CHAIR U'U-HODGINS: Wow. Okay.

MS. BEAULIEU: That's what I thought I was signing for, you know?

VICE-CHAIR U'U-HODGINS: Okay.

MS. BEAULIEU: I found out at the meeting it was 20 years, you know, going...I like was, oh, it's on this paper on this page, you know, look back...oh, my gosh, yes, I did sign for 20 years. Like very ignorant and naïve of me. There's another homeowner in our complex. He purchased before me. You know, he...again, I can only speak on what I was told, but he--his paperwork says 10 years, and they had crossed out 10 years and handwritten in 20 years before he signed. So, it's--definitely, I feel like something changed along the lines where the end result was not what was set out, and I don't know what went into that. This was, for a lot of us, like the last chance at homeownership, I feel, with the way --

VICE-CHAIR U'U-HODGINS: Right.

MS. BEAULIEU: -- everything went the last--after COVID --

VICE-CHAIR U'U-HODGINS: Sure.

MS. BEAULIEU: -- so it was...it was also like a lot of pressure at the time. So...

VICE-CHAIR U'U-HODGINS: Okay. And it wasn't --

MS. BEAULIEU: Yeah.

VICE-CHAIR U'U-HODGINS: -- disclosed to you that it was 20 years? Not at all?

MS. BEAULIEU: Not verbally. Like I said, I...I am responsible --

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VICE-CHAIR U‘U-HODGINS: Yeah. Okay.

MS. BEAULIEU: -- for signing paperwork, you know? But --

VICE-CHAIR U‘U-HODGINS: Yeah, I just thought --

MS. BEAULIEU: Yeah.

VICE-CHAIR U‘U-HODGINS: -- they would have disclosed it to you, you know? But thank you so much for your testimony. Thank you, Chair.

MS. BEAULIEU: Thank you.

VICE-CHAIR U‘U-HODGINS: Thanks.

CHAIR KAMA: Member--oh, he has...we have a question from Member Cook.

COUNCILMEMBER COOK: Thank you for your testimony. My clarifying question is, with your pretty high interest rate, have you looked into--is there a challenge in getting a refi because of the 20-year deed restriction?

MS. BEAULIEU: I...you know, I'm certainly looking forward to that opportunity. I am aware that with refinancing comes more closing costs. Having, you know...having a backup like that right now has been difficult because of all the extra expenses that have come with this...this place. Just to add onto, like...as...as Lucas mentioned, you know, extra things going into our HOA, you know, the...the documents we signed included individual water meters for each home. Those were not provided. They put a central water meter. We were all supposed to have storage units. They gave us just empty shell rooms, unfinished rooms that now we have to figure out how to make it divided storage units on our own. And we've...you know, we've gone...try to look for contractors for that, but then the insurance rates went up after the fire, so --

COUNCILMEMBER COOK: Okay. Thank you very much.

MS. BEAULIEU: -- we don't have money for that anymore, so...

COUNCILMEMBER COOK: Thank you very much.

MS. BEAULIEU: Thank you.

CHAIR KAMA: Members, any other questions for our testifier? Seeing none. Thank you. Staff?

MS. MCKINLEY: Chair, the next testifier is Jordan Hocker, to be followed by Elaine Bogard.

MS. HOCKER: Aloha, Committee Members of the Housing and Land Use Committee. I'm going to keep my camera off because I am having a bit of connectivity issues up here in Kula.

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My name is Jordan Hocker, and I'm testifying here on my own behalf in support of Bill 22, Bill 12, and Bill 74. I'm in support of these bills on the basis that it's estimated that the next 20 years that we're going to lose about 12,000 units of affordable housing. And we keep having this issue where units are aging out of affordable housing. We have all of these units come up, they become available for market rate, and they're not available for our people anymore. I know that the legislative intent of these bills is to keep housing inventory for our people, and for people who can afford it. And Hawai'i Community Foundation recently estimated that by 2025, Maui County's going to need 13,944 housing units. We are in a position that deed restriction, although having some drawbacks for certain individuals, maintains this and our housing market. I do want to acknowledge an elephant in the room...that is, somebody who works in aiding renters. The elephant in the room with workforce housing projects, whether they are rental projects or housing projects, is that often, developers get off with little accountability, and people are left holding more than they realized they would hold. This is a huge issue when it comes to informing our people about what they're getting into with workforce rentals and/or housing. We keep running into issues, and what has been described at that workforce housing is unacceptable. I would say for this consideration, when I'm looking at Bill 74, I'm not sure that Section B under Bill 74 should stand as it is. If we have issues with workforce housing projects, then I absolutely support the period of time starting over so that those...so that . . .(timer sounds). . . our units remain for us--I'll just finish up here--but I think that, you know, I would really encourage this body and the Department of Housing to look into these complaints at units...at these workforce housing projects because this sets a really bad example for what we're trying to do. People should not be left, and people who are below-moderate income who would be subject to a 20-year deed restriction should not be buried in interest rate and personal repairs on new units. So, thank you so much for the time today. I'll end my testimony.

CHAIR KAMA: Thank you. Members, questions for our testifier? Seeing none. Thank you so much. Staff?

MS. MCKINLEY: Chair --

MS. HOCKER: Mahalo.

MS. MCKINLEY: Chair, the next, and currently last person signed up to testify is Elaine Bogard. Ms. Bogard, you are unmuted on our end. If you could find the microphone icon. There you go.

MS. BOGARD: I found it. Thank you so much. Aloha, everyone, and thank you so much for your time. My name is Elaine Bogard, I am also a homeowner at Hale Kaiola, and I'm here today just to share similar thoughts as Brandi and Lucas. First, I want to say I was an original applicant from Hale Kaiola, and so when my name was drawn for the lottery, I couldn't be more excited about that because that was a dream come true. Owning a home on Maui was so far out of our reach, but we want...we just really wanted to stay. And so, when our name was drawn, we were so excited, and so extremely grateful for this opportunity from the County to be able to...to become a homeowner.

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And over the last two years that we have lived at Hale Kaiola, we...we have an extraordinary burden, just like Brandi and Lucas mentioned. Our HOA fees have doubled, and I feel like that wasn't ever something that was shared with us. I've never owned a condo. I didn't really understand HOA dues. At the time, the HOA dues were affordable and doable with our budget, but now that the--it...it has more than doubled. And now, with the California fires, honestly, I'm really scared about when our insurance renews, what is that going to look like? Will we be able to continue to afford our home? Because I have had to get another part-time job to try to help bring in more money so that we can continue to make our mortgage payments, make our HOA fee payments. . . .(timer sounds). . . And in addition, like they mentioned, the builder issues. My house has flooded. My house flooded with the water main break. That happened right on Kaiola Street. I currently have my floors torn up. My walls are torn up still. It's been a year, and I'm still working with the County on another issue, trying to get reimbursed from that flooding. But the drainage is not proper. The developer did not do his due diligence regarding drainage in that subdivision. When it rains, it rains heavily off of Kaiola Street. Our backyards are kind of lower, and so the rain can come over the curb into our backyard. Our parking lot floods when it rains, and every time it rains, it's scary because I just don't know if another flood is going to come into my home. And again, the builder cannot be . . .(timer sounds). . . reached. I've had trouble with my...my dishwasher, my microwave, my refrigerator. I tried to reach out, I get no comment. My floors are coming up in the middle. I...our feet get pinched because the floors are coming up in other areas. You know, it's just not acceptable that here, we were promised this...this nice home, and now so many things are going wrong, and what...what do we do? We are having to come up with additional costs to make our home livable, and the developer that has no recourse is just gone. And if I am correct, I believe the developer is the one who agreed to the 20-year deed restriction for Hale Kaiola, which...I don't know if that's true. I don't know, but they're definitely...I feel like Hale Kaiola definitely needs some assistance. And also, I do want to say one last thing is, the high interest rates and the income qualifications, it's just not a match right now. I don't feel like anybody...if any homeowner did have to sell, I'm not sure that they would actually be able to because of the high interest rates, because of the high cost of the HOA fee. All of that is factored into the bank allowing affordability, and that doesn't quite match the income guidelines from the County. And so, I feel like there's just a...kind of a big discrepancy there. And when Hale Kaiola was towards the end of the sale of the Hale Kaiola subdivision, all of those homes, towards the end, so many people were not able to qualify, and they had so many units that were available, as Brandi mentioned, that their...their loans kept falling through, and they were not able to qualify. And there were so many. It took them a lot longer than anticipated to sell all of those units.

CHAIR KAMA: So, Ms. Bogard, we're going to ask the Members if they have questions for you. And I see Member Paltin --

MS. BOGARD: Thank you.

CHAIR KAMA: -- has a question. Member Paltin?

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COUNCILMEMBER PALTIN: Thank you, Chair. Thank you, Ms. Bogard. So, the...the things that you mentioned, all those appliances, they were under contract with the two-year warranty when you purchased the house, and they were not working?

MS. BOGARD: Correct.

COUNCILMEMBER PALTIN: And --

MS. BOGARD: I'm technically...yeah. Yeah.

COUNCILMEMBER PALTIN: Oh, go ahead.

MS. BOGARD: No, that's fine. Go ahead.

COUNCILMEMBER PALTIN: And then to clarify, you reached out to the developer, which is the Betsill Brothers?

MS. BOGARD: Correct.

COUNCILMEMBER PALTIN: Okay. Yeah, it was --

MS. BOGARD: No, the --

COUNCILMEMBER PALTIN: Oh.

MS. BOGARD: The Betsill Brothers...the Betsill Brothers are the builders. I'm --

COUNCILMEMBER PALTIN: Oh, who did you --

MS. BOGARD: I'm not exactly sure who --

COUNCILMEMBER PALTIN: -- reach out to about --

MS. BOGARD: -- the developer is.

COUNCILMEMBER PALTIN: -- all of the appliances and you didn't get returned?

MS. BOGARD: Yeah, the...the Betsill Brothers.

COUNCILMEMBER PALTIN: Oh, that's who you reached out to about your issues, and they didn't --

MS. BOGARD: Correct.

COUNCILMEMBER PALTIN: -- respond? Okay. And...and --

MS. BOGARD: Correct.

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COUNCILMEMBER PALTIN: -- just to verify, it was them that offered the 20-year restriction when we were passing it.

MS. BOGARD: I'm not sure if it was them, or --

COUNCILMEMBER PALTIN: Oh, no, that's what happened.

MS. BOGARD: -- the --

COUNCILMEMBER PALTIN: I was there.

UNIDENTIFIED SPEAKER: Yeah.

COUNCILMEMBER PALTIN: They...they --

MS. BOGARD: Oh, it is?

COUNCILMEMBER PALTIN: -- offered it to us. Yeah.

MS. BOGARD: Okay. And if you don't mind me asking, if they offered it, what was the incentive for them to offer that? Or was there any incentive for them?

COUNCILMEMBER PALTIN: I can't remember. My books all burned in the fire, but I think we gave them some Affordable Housing Funds.

UNIDENTIFIED SPEAKER: It was.

MS. BOGARD: So, those funds would be applied to...do you know what that would be applied to?

COUNCILMEMBER PALTIN: All...all --

MS. BOGARD: Would that be --

COUNCILMEMBER PALTIN: All my notes on that project burnt in my office in --

MS. BOGARD: Okay.

COUNCILMEMBER PALTIN: -- the fire. Sorry.

MS. BOGARD: So, I'm just curious, if the...the builder was the one that was able to create this 20-year restriction without any thought or concern for the unit owners, was there an incentive for him? Like, was there profitability for...for them, as opposed to us bearing the burden of 20 years, which seems like a really long time? You know, my daughter is 13, so she'll be 33 when the deed restriction comes to fruition. That's...if you think about the lifespan of families, and the transitions in--throughout a family, and their

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children, and their lives, like that's a really extraordinary amount of time for a deed restriction to be imposed on --

CHAIR KAMA: Member Paltin, did she answer --

MS. BOGARD: -- on families.

CHAIR KAMA: -- your question? Okay. Thank you. Thank you very much for your testimony, Ms. Bogard, and --

MS. BOGARD: Thank you.

CHAIR KAMA: -- nobody else seems to have any questions. Staff?

MS. MCKINLEY: Chair, the next testifier is Nara Boone, to be followed by Albert Perez.

MS. BOONE: Aloha. Good morning, everyone. It's really saddening to listen to these...these testifiers talk about the struggles that they've had when they think that they've finally hit the jackpot and...and created something for their families that they can look forward to in the future. And I...I will say what's standing out to me is that education needs to be a better part of what comes into play with homeownership, especially in these types of situations. Enforcement is a very big one in my mind. It...it is with everything. I'm sorry, I did not say, I am with Maui Housing Hui. I am testifying, though, on my own behalf today because I would like to delve deeper into this subject, and don't feel like I...I have a complete understanding that I want to have as far as representing Maui Housing Hui. I will say that HOA fees, insurance costs, in my mind, are things that need to--they need enforcement in our Housing Department. And that is a larger picture that is not, in my mind, a deed restriction, yes-or-no, should-it-be extended thing. That...that, to me, is a separate issue. I...I am testifying in support of these bills because we need to preserve as much as we can of keeping housing in the hands of our local people that have lived here for many years, not just those that have flown in in the last five years, and purchased sight unseen, and raised all of our rents, and everything else. I will say that I myself have heard horror stories when it comes to workforce housing. I know that Kaulana Mahina has . . .*(timer sounds)*. . . done some despicable...entered some disparities as far as the quality of the builds that happen with workforce housing versus market rate. I know that their rental rates, if you're going...if someone that has already lived there is...is expanding to wanting to do maybe month-to-month, that that increases their rent by over \$500. Those seem to be in violation, in my mind, of what workforce housing is, and those should be looked into. But I am in support of extending the workforce housing, the deed restrictions. And I want to stress that more homeownership education should exist, whether it's County-funded or something else, to...to once more empower our residents, and enable them to stay here. Mahalo.

CHAIR KAMA: Thank you so very much. Members, questions for Ms. Boone? Member Paltin has a question.

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COUNCILMEMBER PALTIN: Sorry, I didn't get what you said about the Kauhale--or what...Hale...the --

MS. BOONE: Kaulana Mahina.

COUNCILMEMBER PALTIN: Yeah. Sorry. What was --

MS. BOONE: Yeah, so --

COUNCILMEMBER PALTIN: What was that?

MS. BOONE: -- that's...that's workforce housing. I have a friend that reached out to me because they have already been living there, but their costs are pretty high to live there. To rent for their two parking stalls is \$120 a month, and there's monthly pet rent of \$50 per animal, which is non-refundable, and it's my understanding that in Hawai'i, you cannot charge a monthly pet rent--unless there's something different because its workforce housing--you know, but in general, that it's not something that's...that is acceptable. What is happening is, they wanted to transition to month-to-month. They weren't sure that they wanted to sign on for another year, but it would have raised their rent over \$500. They already pay \$1,901, but to sign that, a month-to-month lease would have...would have raised their rate over \$500, which they're already struggling with what they have with the parking fees and the...and other things that are involved.

COUNCILMEMBER PALTIN: Are you aware if there's...there's a charge if they break the year lease, that's why they wanted to go to month-to-month? And then if they go to month-to-month, it's 500 more per month is what you're saying?

MS. BOONE: I'm not sure if there is a charge, but the increase itself is...is the exchange of the flexibility of being able to move when they want to move as opposed to signing a one-year lease. The...they ended up signing, I believe, a one-year lease, and that raised their rent by just under \$200, as opposed to the over 500 it would have been. But their preference was to do month-to-month, they just can't...could not afford it, ironically.

COUNCILMEMBER PALTIN: So...so, even with the one-year lease, the rent still increased \$200 a month from what --

MS. BOONE: I don't have the exact --

COUNCILMEMBER PALTIN: -- it was when they moved in? Huh?

MS. BOONE: It is an increase between 100 and \$200. I did not write down the exact number, but yes, it was in the higher part of 100...like 158 or something like that, if I recall correctly.

COUNCILMEMBER PALTIN: And they...they were qualified workforce housing renters?

MS. BOONE: Yes.

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COUNCILMEMBER PALTIN: Okay.

MS. BOONE: Yes.

COUNCILMEMBER PALTIN: All right. Thank you.

MS. BOONE: Thank you.

CHAIR KAMA: Thank you, Ms. Boone, for your testimony. Staff?

MS. MCKINLEY: Chair, the next testifier is Albert Perez. He's currently the last person signed up.

CHAIR KAMA: Mr. Perez, would you like to --

MR. PEREZ: . . .*(inaudible)*. . .

CHAIR KAMA: -- begin your testimony? Yes.

MR. PEREZ: Oh, it says my camera's disabled. I don't know if you can see me, but...

CHAIR KAMA: We can see you, and we can hear you.

MR. PEREZ: Oh, good morning.

CHAIR KAMA: Good morning.

MR. PEREZ: Good morning, Chair, and good morning, Councilmembers. Yeah, I'm Albert Perez with Maui Tomorrow, and we've been looking at different types of deed restrictions. And I'm not the most knowledgeable about this type of program that they have in Colorado, but I know the legislature...sorry, the legislature is considering it. And I think Autumn Rae Ness is even more knowledgeable about this, but we've been looking at this for a couple of years. I just want to comment. There are different types of deed restrictions, and the ones we have in Maui County limit the sales price to affordable prices for between five and ten years, after which these formerly affordable units can be sold at market prices, but that leaves us with no net gain of affordable units. The approach that they use in all of these different towns in Colorado, Utah, Wyoming, California, they...they give eligible homebuyers money for their down payment. And the one I'm most familiar with I've talked about before is Crested Butte, Colorado. They typically give 15 percent of the purchase price, and that, in itself, lowers the loan amount and helps people to qualify for a loan. In order to be eligible, you need to be working in the town at least 30 hours a week or have retired from such a job, and you also need to only ever...promise to only ever sell to people who also work 30 hours a week in that jurisdiction. The...the length is in perpetuity. It does not restrict price. But again, people get the down payment up front, it lowers the cost. . . .*(timer sounds)*. . . I believe the price...restrict price appreciation is limited to 3 percent or the rate of

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inflation, and about 25 percent of the homes are covered by that type of deed restriction, not available on the open market, and that eliminates speculation. It's available for existing homes as well as new construction. Was that bell, like, the end of my time, Chair?

CHAIR KAMA: That was the two-minute bell. You have one minute left.

MR. PEREZ: Oh, okay. . . .*(laughing)*. . . I would encourage Councilmembers to look at the item number 37 on Granicus for Bill 22. It's from the Aspen/Pitkin County Housing Authority. They said their average price for a deed-restricted home there is 450,000. They're about to build a couple more...couple 100 more homes. They have no problems with financing because their local lenders are familiar with the program, and that approach, I think, would be a much better use of our Affordable Housing Fund because these deed...deed-restricted homes to remain deed-restricted in perpetuity, the programs are working. So, I just want to point out that there are different types of deed restrictions than the ones that we're considering. . . .*(timer sounds)*. . . Mahalo, Chair.

CHAIR KAMA: Thank you, and thank you for pointing out item 37. We did invite the former Mayor of Aspen, and...and she was a Councilmember also, but she had never responded to us...to the invite that we sent her to be here today. But there's still hope. But thank you. Members, questions for Mr. Perez? Seeing none. Thank you so very much for your testimony.

MR. PEREZ: Mahalo.

CHAIR KAMA: Yes. Staff?

MS. MCKINLEY: Chair, the next testifier is signed in as Katie and Chris.

MS. KATIE: Hi. I am here with my husband, Chris, and we are also homeowners at Hale Kaiola. And we don't have much to speak to that hasn't been mentioned already today, but we do just want to stand by our fellow homeowners, and say that we do feel that the 20 years is a little bit extreme and unfair compared to the...what appears to be more standard deed of five to ten years. So, we do ask that the County considers...or reconsiders our 20-year deed to make it a little bit less straining on our homeowners.

CHAIR KAMA: Thank you, Katie, for your testimony. Members, any questions for Katie and Chris? We have a question from Member Paltin.

COUNCILMEMBER PALTIN: Thank you. I...I was wondering if you could clarify less straining on the homeowners, what you said. Are you wanting to sell the house and it's --

MS. KATIE: . . .*(inaudible)*. . . stressed out. Stress...the stress and worry of our affordability down the road as things get expen...more expensive. Twenty years is a very long time to be trapped, so to speak. And just considering our monthly expenses and the high interest rates, our payments are exuberant. When you compare it to some of those rental affordability homes that are paying 1,900 a month, our monthly payment is close

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to 5,000 a month, and that's crazy, that that is what we are paying to live here, in a unit that is brand-new, that we do have issues that we're dealing with. So, it's just a little scary to think we're locked into that for 20 years.

COUNCILMEMBER PALTIN: Thank you. But if you sell, you do have the shared equity, right? Oh, did she go?

CHAIR KAMA: I don't know. Katie, are you there?

MS. KATIE: Yeah, I'm there.

CHAIR KAMA: Okay.

COUNCILMEMBER PALTIN: So --

MS. KATIE: What...what's the question?

COUNCILMEMBER PALTIN: Oh, sorry. With the option to sell, do you have a shared equity model?

MS. KATIE: Yes, we--I understand that, but I think we just align with the other homeowners in that it would be very difficult to find a buyer that could qualify to pay the monthly payments that we're paying --

COUNCILMEMBER PALTIN: Got it.

MS. KATIE: -- that would qualify in workforce restrictions.

COUNCILMEMBER PALTIN: Thank you.

MS. KATIE: And willing to commit to 20 years.

CHAIR KAMA: Thank you. And any other questions for Katie, Members? Seeing none. Thank you so very much, Katie and Chris. Staff?

MS. MCKINLEY: Chair, there's currently no one else signed up to testify. Would you like us to do a last call? If anyone would like to testify, please raise your hand on Teams by pressing the raise-your-hand icon. Here's the countdown...three, two, one. Chair, seeing no one.

CHAIR KAMA: Thank you. So, Members, seeing that there are no more individuals wishing to testify, without objections, I'd like to 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 . . .

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CHAIR KAMA: Thank you, Members. So, now, we're going to continue and proceed with our discussions. Members, I'm going to call upon you, beginning from our Vice-Chair Nohe U'u-Hodgins, to question either the Administrators or anybody who might be online. Do we know, anybody's online yet?

MR. KRUEGER: Chair, so for the morning portion, we just have Director Mitchell --

CHAIR KAMA: Mr. Du Pont?

MR. KRUEGER: -- and Mr. Du Pont.

CHAIR KAMA: Okay. Thank you. Okay. So, we have Mr. Mitchell and Mr. Du Pont. Thank you. Member U'u-Hodgins, questions for our Administrators --

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

CHAIR KAMA: -- or...

VICE-CHAIR U'U-HODGINS: Yes. Thank you...thank you, Chair. I have a question for Director Mitchell. I appreciate his opening comments because this delicate balancing act is exactly what we have to do. And I feel like we're being pushed and pulled in all the different directions so we can figure out this sweet spot as it relates to deed restrictions...which is proving to be very difficult, considering the testimony we just heard this morning. But Hale Kaiola, since we...we...we heard...this is the...apparently the topic of the morning, that's been a 2.97 project, yes?

COUNCILMEMBER PALTIN: I think it was one of our first ones.

CHAIR KAMA: It was the first.

VICE-CHAIR U'U-HODGINS: I think it might be one of your only ones...our only ones. I didn't hear if Director Mitchell answered, and I just need that to be confirmed.

MR. MITCHELL: That's my understanding, Member U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: Okay.

MR. MITCHELL: Correct.

VICE-CHAIR U'U-HODGINS: Thank you. What--in your opening comments--the delicate balancing act, figuring out, you know, the...you mentioned the 2008 crash, the wildfires, we've had an uptick in HOA fees as described, fire insurance. Do you know how that impacts financing, and how the builders can qualify for their own financing to provide units for the potential first-time homebuyers?

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MR. MITCHELL: Thank you for the question, Member U‘u-Hodgins. The precise mechanics of how lenders will underwrite, and whether they take into consideration revenues such as HOA dues, I don't know the answer to that. What I do know is they're generally looking at what the units have been priced at for sale as a way of determining whether they will lend on the project, and they will also look at both the temporal restrictions, the length of the deed restriction, as well as the nontemporal restrictions. And I...I really want to reinforce the difference between the two because there are nontemporal restrictions in a deed-restriction program such as the buyback...back provisions, or who the owner may sell to in terms of AMI levels, that underwriters might see as friction points that make underwriting less inviting. But your question is, do they take into consideration HOA dues and fees? And my belief is they don't, but I can get back to you on that. And my belief is they don't because those are . . . *(timer sounds)*. . . established after the project is developed. And when they're getting financing, it's well before they've figured out the HOA and the HOA dues.

VICE-CHAIR U‘U-HODGINS: Okay. Thank you. I hope one of my colleagues asks about the nontemporal restrictions because that was my next question, but we ran out of time. So, thank you.

CHAIR KAMA: Did she run out of time? Was it? Oh, that was --

VICE-CHAIR U‘U-HODGINS: I heard the...

CHAIR KAMA: Oh, okay.

VICE-CHAIR U‘U-HODGINS: Yeah. That was fast. But thank you.

CHAIR KAMA: Okay.

VICE-CHAIR U‘U-HODGINS: I can hold, or I can wait for somebody else to ask. Thank you, Chair.

CHAIR KAMA: Okay. Thank you. So, let's continue with Chair Lee.

COUNCILMEMBER LEE: Thank you. Clarification on the nontemporal situation.

MR. MITCHELL: Thank you, Chair Lee. When I refer to the nontemporal restrictions, I'm referring to things like the owner-occupancy rules; the buyback provisions that the County follows and those mechanics; the shared-equity provisions and the manner of assessing developing shared equity; our own sales price guidelines that fix what the sales price is; and they're...in some programs, they have proximity to work restrictions. You can only buy if you're within a certain number of miles of the development. So, I'm talking about those kinds of restrictions that are different from just talking about is the deed-restriction period 10 years, 20 years, or in perpetuity. And it's important to separate the two because if you can make the nontemporal restrictions as appropriately frictionless as possible, my belief--and I say it that way because there are no studies on

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this--but my belief is, underwriters will review those nontemporal restrictions to make sure that there's ways for the homeowner to actually sell easily the property.

COUNCILMEMBER LEE: I do agree with your opening remarks, which takes into consideration a number of contributing factors, whether one would--well, this body would establish a deed-restriction period that's fair. And I noticed that, you know, you went over the different periods of time, and...and what has happened in the last 20 years, and another consideration, to me, is that one of the biggest populations to...to worry about would be the baby boomers...my generation. And in my generation, we...we constitute a huge number of people, you know, whether it's Hawai'i or nationwide. And our thinking is probably different from the previous generation--I'm not sure--but we are a generation that would prefer to age in place and to stay home, and not be institutionalized. So, that makes a big difference, you know? Perhaps an older person wouldn't mind a long deed restriction, but a younger person today has many other types of considerations. You know, the competition of...of jobs...with jobs, starting a family, growing a family, taking care of the parents. You know, there's so many different things to consider, and I...and I can feel that sense of being trapped by people who have testified. . . .(timer sounds). . . Do you have any comments about that?

MR. MITCHELL: Thank you, Chair Lee, for the question. I agree, that is a balancing act with a longer deed restriction and creating, in a younger population, the feeling of being trapped. The policy concern the Council will have to consider is with a shorter deed restriction, the greater likelihood those properties will fall out of the restricted period and be open for sale in the market, which increases the challenge of keeping affordable units available for the community. Again, it's a delicate balancing act, how long you, on the temporal side, make the restriction. If you make it shorter, at some point, you're going to have to be continually replenishing and replenishing and replenishing to keep up.

COUNCILMEMBER LEE: Can I have one quick question, follow up? Okay. The follow-up question is, you know, considering that people would have a hard time selling their units--because they're not real estate agents--you know, selling their units to another qualified affordable-housing buyer, would the...would the Department take on that role?

MR. MITCHELL: Thank you, Chair Lee, for the question. Are you asking would the Department take on the role of assisting --

COUNCILMEMBER LEE: Finding --

MR. MITCHELL: -- with the sale?

COUNCILMEMBER LEE: Yeah. Right. I...I'm just asking you to be --

MR. MITCHELL: It's...it's something to consider.

COUNCILMEMBER LEE: -- you know, straightforward and say, you know --

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MR. MITCHELL: It's something to consider.

COUNCILMEMBER LEE: -- you know, it's practical or not practical.

MR. MITCHELL: It's going to require thought about what it means to take on the responsibility of assisting a third party with selling their home and identifying a buyer. But I'd like to take some time to think about that response before saying yes or no.

COUNCILMEMBER LEE: Okay. And the other option, of course, is the County being...having first...first right of refusal and actually buying the property. Yeah. Thank you.

CHAIR KAMA: Okay. Member Paltin?

COUNCILMEMBER PALTIN: Thank you. That was kind of going to be my question because I thought the County did have first right of refusal on this. And so, I guess the question really is, would...would you, as the Housing Director, support first right of refusal on a project such as Hale Kaiola?

MR. MITCHELL: Generally--thank you for the question, Member Paltin. Generally speaking, I absolutely do support the ability for the County to buy back their properties and keep them in the affordable housing stock. I think generally, any public housing authority is in the business of both acquiring, renovating, and developing affordable housing, and the more you can maintain and sustain an appropriate supply of affordable housing, the better off, and...and, therefore exercising the right of first refusal is important. Your question appears to be focused uniquely on this particular project with this particular contractor and the issues that the residents are alluding to.

COUNCILMEMBER PALTIN: I mean, wouldn't the residential workforce housing agreement have things in the contract that they shouldn't be giving shitty housing?

MR. MITCHELL: Thank you for the question.

COUNCILMEMBER PALTIN: Like, it doesn't seem fair --

MR. MITCHELL: Let me...let me --

COUNCILMEMBER PALTIN: -- that they --

MR. MITCHELL: -- answer that --

COUNCILMEMBER PALTIN: Okay.

MR. MITCHELL: -- a little more broadly.

COUNCILMEMBER PALTIN: Okay.

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MR. MITCHELL: On February 25th, the Department of Housing met with Shannon Sheldon, the attorney for Hale Kaiola, and we discussed the challenges that...that she, on behalf of the residents, communicated, and in part, indicated the Department doesn't unilaterally have the authority to simply change the deed restrictions. The time on those restrictions is a Council action. It requires Council action to change it. And then she also brought up the construction issues, and we discussed those, and those would be managed through the HOA. The Department doesn't manage the development and doesn't manage the HOA. That's typically how developments like this are managed. So, we are getting a large number of inquiries from the residents, and we're asking them to continue working through their attorney, who we've already met with. And the...the key is, we look at whether we acquire a unit that is deed restricted. The primary focus is whether we need to maintain that...that unit for community needs for affordability. That's kind of the litmus test. And at this stage, the answer is yes. We'll...probably will need to find ways to address some of the issues that tenants are alluding to if they were to sell, but--to the County that is--but . . .*(timer sounds)*. . . key in this discussion is the HOA dues for the residents apparently have jumped significantly. I think I heard --

COUNCILMEMBER PALTIN: Doubled.

MR. MITCHELL: -- they've doubled, which isn't unique for housing developments in the County at all. We've seen a lot of insurance providers...I'm...I'm sorry, do I need to pause? Oh.

COUNCILMEMBER PALTIN: She like one break.

MR. MITCHELL: Oh, okay. I just saw the timeout signal. . . .*(laughing)*. . .

COUNCILMEMBER PALTIN: I mean, if...if the County --

MR. MITCHELL: They've--we've seen --

COUNCILMEMBER PALTIN: -- was going to exercise their first right of refusal, perhaps that takes some of the stress off the homeowners because it seems their main concern is waiting around to find a qualified workforce housing buyer. So, if the County intends to exercise its first right of refusal, they can walk away with their shared equity and not hold onto the mortgage longer than it has to be held onto when they want to sell it, and so they should be less stressed out?

MR. MITCHELL: In theory, that...that's right, but at the same time, there's...there's also stress with having to sell your home. So --

COUNCILMEMBER PALTIN: Yeah. I mean --

MR. MITCHELL: . . .*(laughing)*. . . Yes --

COUNCILMEMBER PALTIN: -- well, whether it's deed restricted or not --

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MR. MITCHELL: Right.

COUNCILMEMBER PALTIN: -- it's that...that's the --

MR. MITCHELL: Right.

COUNCILMEMBER PALTIN: -- case.

MR. MITCHELL: Well, having to sell your home as a workforce housing buyer and then having to go back into the market to find another affordable home. So, there's still that stress. But to your...to answer your question, Member Paltin, yes, in...in theory, the ability to sell to the County during the restricted period should mitigate that sense of stress with not being able to sell the property if that's what they wanted to do.

COUNCILMEMBER PALTIN: I mean, when the...the project came up previously, former Deputy Director Munsell said these kinds of multifamily housing, they usually...in the ten-year deed restriction, they wouldn't sell at all because multifamily is considered like a starter home, you know? So, I was kind of surprised when they put the 20-year deed restriction knowing it's multifamily, but then the state of the market at that time negated, I guess, that it was a multifamily with a 20-year deed restriction...or people didn't look at it maybe. But it's really unfortunate to hear about the builder issues for workforce housing. I mean Hawaiian Homes in the past had had similar types of situations, and I almost feel like that the builder should be put on blast, you know, for...for taking advantage of affordable or other folks like that.

CHAIR KAMA: So, we're going to hold on to that question for your second round, Member Paltin.

COUNCILMEMBER PALTIN: Okay.

CHAIR KAMA: And that way, I think Remi can think about that response when we come back around. So, it is now 10:39. HLU...I want to say ten, but I know you all not going be back in ten. So, if I say 15, will you all be back in 15? Thank you. So, 15 minutes from 10:39 is 10, what, 53? 54. Okay. So, HLU Committee is now in recess until 10:54. And when we come back, we're going to have to ask Mr. Du Pont, who's waiting on the side, some questions. Recess. . . .(gavel). . .

RECESS: 10:39 a.m.

RECONVENE: 11:00 a.m.

CHAIR KAMA: . . .(gavel). . . Will the HLU Committee meeting of March 10th continue...reconvene. It is now 11:00 a.m. Thank you for being so prompt, Members. So, we're going to continue our questions with Member Cook. Okay. You wanted me to skip you and go over to --

COUNCILMEMBER COOK: . . .(inaudible). . .

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CHAIR KAMA: -- to Nohe? . . .*(laughing)*. . .

MR. MITCHELL: Chair, did you want me to answer Member Paltin's questions, or --

CHAIR KAMA: No, you can answer Member Paltin's questions later.

MR. MITCHELL: Okay.

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

CHAIR KAMA: I don't...I didn't see Gabe. Gabe, are you here?

COUNCILMEMBER LEE: Yeah, he's here.

CHAIR KAMA: Okay. I see...I see Member Rawlins-Fernandez. I don't...didn't see...

COUNCILMEMBER JOHNSON: I'm here, Chair.

CHAIR KAMA: Okay. Thank you. So, it's your turn to ask our resources questions.

COUNCILMEMBER JOHNSON: Okay. My turn, you said --

CHAIR KAMA: Yes.

COUNCILMEMBER JOHNSON: -- Chair Kama? Okay.

CHAIR KAMA: Yes. Thank you.

COUNCILMEMBER JOHNSON: All right. Thank you. This question's going to be for Director Mitchell. Well, first off, maybe you can give us a portal update because that was a lot of--line of questions could have been solved with the County having a website that lists available units, the units that we buy on first right of refusal, all the things that people want to know. Can you give us an update on that portal?

MR. MITCHELL: Thank you, Member Johnson. So, the Department has met with the County IT team to discuss scoping out a work of developing a page on our website that lists projects and provides the community with an opportunity to identify their interest in a particular project, or in affordable housing generally. And that was probably, I'd say, about two or three weeks ago, so I need to follow up with them and...and see what the status is in developing that.

COUNCILMEMBER JOHNSON: Do you think that there are going to be a factor that we...we have to consider in our upcoming budgets? Like are you going to be--if this portal is going to happen, you're going to need some more money?

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MR. MITCHELL: I don't have an immediate answer since I haven't gotten input yet from the IT Department whether what is in our budget that will have to be most likely moved around if we do this is sufficient. I suspect it is sufficient, but I need to get input from IT first.

COUNCILMEMBER JOHNSON: Okay. We'll look forward to hearing that from the IT Department, of course. So, one of the things the testifiers mentioned was their flood damage that their unit has...had...had sustained, and over a year they've been waiting to get it fixed. That is, to me, not only very...I mean, it's unhealthy. It's just not safe for our member...or our community members. And I want to remind the body that, you know, say maybe two years (*audio interference*) in a flood-prone zone, and this might be kind of...if you see it...if you see that there are units being approved and being built in these flood...flood-prone areas, how much...what a bad idea it is, and how hard it is to go back and get it fixed. I can only imagine the insurance policy. So, there is nuance involved in these projects, and we can't always...you know, I, for one, am...look at the results. If you're going to have to have this person deal with higher flood costs and damage to the property, that sounds insane. I know that when we talk about the flood...the...the deed restrictions, you know, these...these things, how is this person going to sell their unit if they ever choose to sell their unit . . .(*timer sounds*). . . when one is in--you know, floods happen yearly, you know? It's more and more occurring. So, I think that's kind of the thing that...you know, hindsight's 20/20, but moving forward, we should look at making sure that all these units and all these...you know, we...we...we ask all those kinds of questions, and sometimes they aren't appropriate for...for that, but I just wanted to put that on record because it--that was something that had happened.

CHAIR KAMA: Were you expecting a response, Member Johnson, or is that just your comment?

COUNCILMEMBER JOHNSON: Well, my...my main question was answered.

CHAIR KAMA: Okay.

COUNCILMEMBER JOHNSON: I'm really curious about the portal --

CHAIR KAMA: Yes.

COUNCILMEMBER JOHNSON: -- and then moving forward, if there's second round, I'll probably have something. Thank you, Chair.

CHAIR KAMA: Thank you so much. And we're going to continue with Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Aloha...aloha, Director Mitchell. Mahalo for being with us today. Okay. So, I think my question might have been transmitted to you via written correspondence, but I did see your response that there were 33 questions, I think, total that was transmitted to you. So, we...we don't have a response in writing yet, correct?

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MR. MITCHELL: Thank you, Member Rawlins-Fernandez. You should, on Granicus, have at least one correspondence from me dated March 7th that responds to the Committee correspondence that had 21 questions and several subparts. We did request an extension to respond to the other Committee correspondence, which has an additional ten questions, but we, notwithstanding our request for an extension, were able to get a response transmitted. I've determined that it is still in the Mayor's Office, so it should be on Granicus soon. But at the very least, you have the response that addresses the 21 questions and subparts on Granicus.

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, okay. So, if that's the one that's dated March 6th, Item 32, it only has three pages, and it doesn't have the 21. Anyway, I'll just ask my question, and if I missed it, your response in writing, then you can just state what your response was here. Okay. So, with the housing demand on Maui, I...I would think that there would be a percentage of housing inventory that should be protected from the investor market, you know, whether it's protected with deed restrictions that require owner-occupied use, or have an affordability deed restriction. What factors do you think we should consider in determining like what percentage of housing unit should be in a shielded inventory?

MR. MITCHELL: Thank you for the question, Member Rawlins-Fernandez. I do remember that question, and my answer didn't give an absolute number. What I wrote--and if I could flip through the pages and find the exact way I phrased it, I would read it--but since I can't find it quickly, I'll just paraphrase. What I wrote was, when the County has reached a place where its production meets or exceeds demand, then that would be the answer to the question of the percentage that should be protected. I don't have a precise number for you, so that's why I answered that way.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. So, that's the factors that we should consider when determining some kind of a percentage. And you do agree that a percentage would be helpful to ensure residential housing units are available for our residents?

MR. MITCHELL: Well, you could look at it in terms of percentages, or you could look at it in terms of whether you're meeting the demand, and you can translate the demand into a percentage of the population. I just don't have that precise number. That's why . . . *(timer sounds)* . . . I chose to answer it the way I did.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo, Director. Mahalo, Chair. I heard the...the bell.

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

COUNCILMEMBER COOK: Thank you, Chair. Thank you for your patience with me. My question's for Mr. Du Pont. Aloha.

MR. DU PONT: Okay.

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COUNCILMEMBER COOK: DHHL has...I...I think, is a pretty interesting model for this conversation because you have...it's a long-term lease, there's limitations as far as the blood quantum and being...you know, who...who the market can be sold to. In the past, when I've worked with the DHHL, they did...awarded lots, and then the owner contracted to build their own home. I see now like in Waikapu, the model is they're building turnkey units. Is DHHL's--still have a multiple--like some turnkey units? Some...
(audio feedback)

MR. DU PONT: That sound is...but I think it...it's going to --

COUNCILMEMBER COOK: Bear with us for a minute. We're having a bit of a --

MR. DU PONT: -- depend on the agreement that Hawaiian Homes makes with a developer, and most of the projects that are coming off --

CHAIR KAMA: Mr. Du Pont? So, we had some background noise back here that we could not hear you.

COUNCILMEMBER COOK: Yeah. Thank you, Mr. Du Pont.

MR. DU PONT: Okay.

COUNCILMEMBER COOK: We...we had a loud --

CHAIR KAMA: And you probably didn't hear the noise.

COUNCILMEMBER COOK: -- feedback.

MR. DU PONT: You mean that humming noise?

COUNCILMEMBER COOK: That.

CHAIR KAMA: Yes.

MR. DU PONT: Let me start again.

CHAIR KAMA: Okay.

MR. DU PONT: I know on the --

CHAIR KAMA: We're going to...we're going to...we're...we're going to have to recess for five minutes until we take care of this problem.

MR. DU PONT: Okay.

CHAIR KAMA: Thank you. So, we are in recess until 11:16. ...*(gavel)*...

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RECESS: 11:11 a.m.

RECONVENE: 11:16 a.m.

CHAIR KAMA: . . .(*gavel*). . . The HLU Committee is now reconvening. It is now 11:16 a.m. And we're going to continue with Member Cook and your question to Mr. Du Pont from the Department of Hawaiian Home Lands.

COUNCILMEMBER COOK: So, Mr. Du Pont, I think you heard the question because you were starting to answer. So, what's...what's your input for this topic with your experience with DHHL?

MR. DU PONT: So, I know that when the Department is looking at developments, we used to consider different types of home building. But as soon as the Department establishes a relationship with a developer, then we turn over pretty much everything related to the development of the project to that individual or to, you know, that development corporation. And so, you know, in relation to the...the financing, our expectation is that the financing is part of the developer's package. And so, I'm not aware of all of the specifics with the Waikapū property, and what would be offered to people wanting to construct homes. And, you know, like you mentioned, Hawaiian Homes used to have a self-help option. We worked with Habitat, and again, FHA financing, VA financing, depending on qualifications. And then more recently, we also consider NAHASDA financing. So, going forward with the Maui developments, I don't have all of the specifics, but if the developer's responsible for the entire package, then the lessees will be directed to work with the developer.

COUNCILMEMBER COOK: Thank you...thank you for that. I just...my experience in the past was in 2006 when--I think it was in Waiohuli, Upcountry--and the...my...my company, we did 21 homes, but we contracted individually with each owner, and DHHL was the...sort of involved. Anyway, it's...I'll talk with the County, but that--I believe if we have buildable lots, and then we can have people individually either be able to build their own homes or contract it out, that that's one way towards affordability. It is not something to be...that can be done in volume . . .(*timer sounds*). . . be done in volume. Anyway, thank you very much, Du Pont, my time's up...Mr. Du Pont.

CHAIR KAMA: I think now we're going to continue with Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. And for the record, I do have two workers in my office with me, Mavis Medeiros and Dawn Lono, for the record.

CHAIR KAMA: Okay.

COUNCILMEMBER SINENCI: And yes, continuing on with Mr. Du Pont. He did mention that the Department of Hawaiian Homes have 99-year leases, but just for clarification, the...the lease is for 99 years, the residents would still...there's no adjustment in their...the length of their mortgages, right?

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MR. DU PONT: Well, typically, most mortgages are about 30 years, and...and the only consideration that the Department would have in relation to that 30 years is if there's less than 30 years remaining on the current 99-year lease, then the Department has the ability, or the Commission has the ability to extend that lease for another 100 years as long as there is a family member that can meet the blood-quantum requirements.

COUNCILMEMBER SINENCI: And if they pay off the house within the 30 years, they can extend for another 100 years, or for another family member? Is that --

MR. DU PONT: No. What...what--normally, the Department's going to consider if there's a request for a mortgage, you know, is there at least 30 years or more remaining. If...if there's no mortgage, and we get to...towards the end of that 99-year term, then we will just recommend that the lease is extended that additional 100 years. So, there...there's really no other trigger than...than a mortgage, or the...getting near the end of that initial 99-year lease term.

COUNCILMEMBER SINENCI: And so, do you see that some residents would like maybe borrow off the house, and then maybe, you know, continue their...their mortgage for beyond 30 years?

MR. DU PONT: So, you know, in that series of questions, number 16 related to Hawaiian Homes --

COUNCILMEMBER SINENCI: Yes.

MR. DU PONT: -- home equity loans are not currently allowed. And pursuant to Section 208, no government entity is ensuring (*phonetic*) or guaranteeing home equity loans. So, the...the lessee would have the option of taking out a new...new loan or refinancing, and then, you know, what...what happens after that is between the borrower and the lender. But again, we...we don't have the home equity option at the present time.

COUNCILMEMBER SINENCI: Got it. Thank you. And then you did mention that . . . (*timer sounds*) . . . you have several options for home mortgages?

MR. DU PONT: Yes.

COUNCILMEMBER SINENCI: And just...any different from the regular ones or standard ones?

MR. DU PONT: Well, you know, HUD F...FHA; if the beneficiary is a veteran, then you have VA; Rural Development, or USDA; I mentioned NAHASDA earlier; and then in certain circumstances, a direct Hawaiian Home Lands loan.

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

CHAIR KAMA: You're welcome, Mr. Sinenci. Okay. We're going to come back to...let's go...we're at the end of our round, and so round two. Chair Lee. Okay. Member Paltin.

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COUNCILMEMBER PALTIN: Thank you. If I could go back to Director Mitchell.

CHAIR KAMA: Yes. Thank you.

COUNCILMEMBER PALTIN: I'd like to focus on...you know, multifamily homes or these duplexes are often considered like starter homes, and maybe we don't consider people living there as long as a single family, like a forever home. I was wondering if you could...but we don't want them to all become unaffordable because then it's no longer the next person's starter home. But I was wondering if you could recommend some of those nontemporal deed restrictions. Like if we made it owner-occupied in perpetuity, that's still...the temporal part, it would be perpetuity, but it might, you know, limit it to folks that are going to be living and contributing to our community. Or do you have any policy guidance there?

MR. MITCHELL: Thank you, Member Paltin, for the question. So, I think your question is aimed at recognizing that multifamily dwellings might require greater flexibility with the restrictions, whereas single-family residences require perhaps...or necessitate, because folks view those as their forever homes, a little more stringency with...with the nature of the restrictions. And I...I do think there is some value in looking at multifamily dwellings with...with restrictions that are more flexible. Because you're right, they are traditionally a housing type where folks stay in the homes for a very long period of time. And I say that cautiously because the average homeowner stays in their home--and these are national statistics--about seven-and-a-half years, and that's a single-family home. And I don't know what the stat is for multifamily residences, but I know it's shorter. And so, there may be some wisdom to making the restrictions more flexible for multifamily residences, but you still have the policy objective of maintaining and sustaining that...that stock of affordable homes, regardless if the restriction is shorter...the time-related restrictions are shorter. And I think your question focused on the nontime-related, and I'm changing my...my parlance here because Member Cook said something a little more straightforward than nontemporal, it might be easier to understand. So, the nontime-related ones that I alluded to before, to me, working through what causes the underwriters to be cautious, whether it is the mechanics of the buyback provisions, right, working through the ability...what...what happens if you can't find someone to sell the home within the AMI bracket that you have to sell the home in, and finding ways to give homeowners more flexibility when they...suddenly they've...they've attempted, for a reasonable period of time, to find a homeowner within the AMI but cannot find anyone, what do you do then? Because it...it blocks them in, and that causes the underwriters to be cautious about lending on it. So, looking at, as I said, the friction point with the nontime-related deed restrictions, and making it easier, I think, is one of the ways of making multifamily deed-restricted residences more appealing...appealing. . . .(timer sounds) . . .

CHAIR KAMA: Thank you for that bell. Jeez, it's quick. Okay. We're going to continue on with Member Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. Excuse me. Director Mitchell, is there any data that the County gathers when people sell a deed-restricted house? What are they

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doing once they sell? Do they go back and buy market rate, do they go on and...into rentals, do they move off-island? What...what data do we get when they sell, if anything?

MR. MITCHELL: Thank you for the question, Member Johnson. The Department doesn't track what folks do after they sell a deed-restricted home, so I can't tell you where they go, what they buy.

COUNCILMEMBER JOHNSON: Is that something that we would consider important data for the Department to gather?

MR. MITCHELL: I think it would be helpful, Member Johnson, if we had that information. Certainly, having more empirical data will allow for better...better policy-making. That's --

COUNCILMEMBER JOHNSON: You know, because --

MR. MITCHELL: That's...that's impossible --

COUNCILMEMBER JOHNSON: Go ahead.

MR. MITCHELL: -- to be able to track depending on where people move and how the information is reported. I mean, it's...I don't see a way of mechanically tracking that information.

COUNCILMEMBER JOHNSON: Well, let's say you live in the minimum amount of years required by your deed restriction, you sell it at full market, it goes. I...I...I wonder what they do with--next is...is my question, you know? Do...does...do they buy market, do they move off-island, or do they go back in the pool? Can you go back in the pool? Is there a certain amount of time limit you can't apply for an affordable housing project? Oh, maybe there is, three years. Yeah, that does sound familiar. But you know, those are the kind of questions that I'm wondering. You could rent for three years and have...have a big down payment for a market or another affordable housing project, right? I mean, it just seems that this data...because here's my concern. It...it seems the deed restriction is a way to keep islands of affordability in a fluctuating market, right? So, I'm curious of what happens when folks come--go out of that bubble, right? Are they going to go and...you know, or downsize. Like they bought an affordable housing, three-bedroom, two bath...two bath, and all of a sudden buy a condo straight cash. That's the kind of thing that I'm curious about what happens. It...it--so, I'm curious. And it sounds like you said the...the Department would...would find that information valuable. Do you have the capacity to...to gather that information, Director?

MR. MITCHELL: Thank you for the question, Member Johnson. So, certainly, lots of additional data points, such as the ones you're proposing, are valuable, but no, the Department doesn't have the capacity to track where everyone goes. I mean, if you...as you can imagine, they might stay in the County, they might stay on-island, they might not. And there's no real mechanism for us to . . .(timer sounds). . . get them to --

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COUNCILMEMBER JOHNSON: Okay.

MR. MITCHELL: -- report to us that data.

COUNCILMEMBER JOHNSON: And then I'll just--if Chair will allow it, I just have a yes-or-no question for you if you don't... What do you think of a simple annual appreciation formula for the resale of deed-restriction units? Is that something you would support based on like flat rate, or area wage growth, or CPI? Kaua'i and Aspen are doing this.

MR. MITCHELL: So, thank you for the question, Member Johnson. So, there are at least three different shared-appreciation models. One's a flat percentage rate, another is tied to CPI, for example, and then another --

COUNCILMEMBER JOHNSON: Um-hum.

MR. MITCHELL: -- is based upon a percentage difference of the appreciation rate at the time of sale originally versus the...the time of sale in the future. So --

COUNCILMEMBER JOHNSON: So, do you have a preference is really --

MR. MITCHELL: No, I don't have a preference. I mean, there's no --

COUNCILMEMBER JOHNSON: Okay.

MR. MITCHELL: -- empirical data on how different each the three affects the market.

COUNCILMEMBER JOHNSON: All right. Thank you for that response. Thank you, Chair.

CHAIR KAMA: You're welcome, Mr. Johnson. We're going to continue with Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I wanted to dovetail off Member Johnson's line of questioning to Mr. Mitchell...or Director Mitchell. So, in your response to Member Johnson--and maybe I didn't hear the question as it was posed--but I was wondering about what happens to the houses, not the...not the people who lived in it, and I thought that was what the question was. So, after a housing unit that was either subsidized to be affordable, or had a deed restriction to be affordable on it--I...I don't think there's a ton--but like the question is, like what...what happens to the housing after the deed restriction ends, after affordability ends? Like do they just like...because the...the fear, or the concern, is that it flips out of affordability, and then it's now market rate, and we're back to square one as far as the inventory of affordable units. And then we're just hamsters on a wheel . . .(laughing) . . . not getting anywhere. And so, I...I know that your Department is still getting off the ground right now, but perhaps, you know, either like contracting consultants, or creating a position to do long-term tracking of...of these units, especially if, you know, the State is doing voluntary deed restrictions--well, they're...they're considering two sets of bills that would create funding through the HHFDC for counties to offer voluntary deed restrictions the way that some of the

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townships and municipalities in Colorado have. And so, you know, perhaps like a position that would help to track those voluntary deed restrictions, but also track the houses, the units, that have deed restrictions or, you know, were subsidized to be affordable. There is a question in there somewhere. . . .*(laughing)* . . .

MR. MITCHELL: Thank you, Member Rawlins-Fernandez. I heard the question as, would it be helpful to not only have the data about what happens to the deed-restricted properties when they're sold during the period of restriction, or sold after the period of restriction, and then, to the extent possible, what happens to the individuals who sold those homes, in addition to whether it be helpful to have a dedicated position to do that sort of tracking. And my answer to all those questions --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. All of that except for the...the people part . . .*(timer sounds)*. . . because I think you responded about the people part to Member Johnson. My question was about the housing part.

MR. MITCHELL: Okay. Then I'll amend my response, and say without the people part, the answer is yes. . . .*(laughing)* . . .

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(laughing)*. . . Wonderful. Mahalo, Director Mitchell. . . .*(laughing)* . . .

MR. MITCHELL: . . .*(laughing)* . . .

CHAIR KAMA: That was wonderful. And so, we're going to continue with Mr. Cook.

COUNCILMEMBER COOK: Thank you, Chair. My question's for Director Mitchell. Is the County considering at all purchasing property, having the ground lease, and then negotiating with developers to do the vertical?

MR. MITCHELL: Thank you for the question, Member Cook. Yes, I am considering that intensely. In particular, I'd like to bring on a local professional to help us, not only better evaluate existing County properties, but to identify future properties to acquire for development of affordable housing so that the County is actively developing a pipeline of properties. And what I mean by that is, once it's acquired, then going through the entitlement process, if necessary, and making sure the infrastructure is in place to reduce the cost to a developer who ultimately would have to develop. I just haven't gotten to that phase yet. Right now, we're still working through our last RFP, which was the Affordable Housing RFP, which will make it into the budget, and then we'll administer those projects. And then, I'll issue another RFP to bring on that professional to help us go through County parcels and identify future parcels for acquisition for the sole purpose of developing a pipeline of parcels to develop affordable housing.

COUNCILMEMBER COOK: Thank you. Thank you, Chair.

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

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VICE-CHAIR U‘U-HODGINS: Thank you, Chair. I'm going to kind of discuss what Member Rawlins-Fernandez was asking about, which is the kama‘āina deed restrictions and the Hama‘āina...Kama‘āina Housing Program, I think maybe that's what she was talking about, which is HB 739 and SB 490. But the...do we--or Director Mitchell, do you have an opinion on those, and how that's going to look like, and how that'll impact what we do today--well, what...rather, what we're discussing today?

MR. MITCHELL: Thank you, Member U‘u-Hodgins, for the question. I didn't prepare by reviewing those bills today for this discussion, but I'll certainly review them and be prepared for our next meeting to discuss my opinions on those.

VICE-CHAIR U‘U-HODGINS: That'd be great. I'm interesting...I'm interested to understand how that's going to impact our decisions. And then back to your opinions about the nontime-restricted restrictions. How do you think those should change?

MR. MITCHELL: As I said, my understanding of how lenders look at those restrictions is, that to the extent those restrictions create some levels of inflexibility that they are uncomfortable with, they are --

VICE-CHAIR U‘U-HODGINS: Um-hum.

MR. MITCHELL: -- disinclined to lend. And so, that's why I've indicated that if we look at what we have, either in our administrative rules or in our Code about those nontime-related restrictions, that we should find ways to make them as easy and seamless as possible --

VICE-CHAIR U‘U-HODGINS: Right.

MR. MITCHELL: -- and not too administratively heavy so that the fact of the deed restriction on the time side alone is no longer the impediment, the fact of whether or not we've made the nontime-related ones easy to manage for the lenders is the issue. So, I just suggest we take --

VICE-CHAIR U‘U-HODGINS: Right.

MR. MITCHELL: -- a close look at them. Yeah.

VICE-CHAIR U‘U-HODGINS: What...okay. Great. That's my question is, what do you then think they should look like? Like, the 90-day for the counties to buy back, as I understand, is difficult for the sellers when they're wanting to sell in their deed-restricted time period if--for whatever reason. You know, life happens, as we discussed. To my understanding, the 90-days that the County has to say yes or no is a really long time for these homeowners to be waiting in limbo. But I'm just kind of looking for some specifics on what the changes might look like, in your opinion.

MR. MITCHELL: Thank you, Member U‘u-Hodgins. I'm aware that that one is a challenge, but that challenge goes beyond my department. That would require sitting down with --

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

MR. MITCHELL: -- other County departments, Department of Finance, to figure out ways to reduce that time and whether . . .(timer sounds). . . the County --

VICE-CHAIR U'U-HODGINS: Okay. Good.

MR. MITCHELL: -- as a whole can move quicker. But that's not something I can unilaterally speak to.

VICE-CHAIR U'U-HODGINS: Sure. Okay. Maybe, Chair, if we continue to have this conversation, we can explore some of those things that are also in our Code that might need some changes that we can do, so that like Member--I'm sorry . . .(laughing). . . poor thing--Director Mitchell is saying that we find that sweet...sweet spot. Because this is...this is a huge decision on our shoulders that I think is impacted everywhere else. But thanks. Thanks, Chair.

CHAIR KAMA: You're very welcome. And yes, we will be looking at the Codes. So, we're going to continue now with Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. Just a couple questions for Director Mitchell. In his opening statements, he mentioned generational wealth through home ownership. If he can expound on that. And then, if he does have any examples of other communities that have, you know, put in deed restrictions to prevent flipping houses in their communities, has there been any examples if he can speak?

MR. MITCHELL: Thank you, Member Sinenci, for the question. So, I referred to...I think I referred to the concept of...the acronym is WORTH, W-O-R-T-H, Wealth Opportunities Through Homeownership...Wealth Opportunities Realized Through Homeownership, and that's a concept that's often discussed in affordable housing contexts. Because everyone recognizes that the acquisition of a home is probably the single largest investment an individual or families make in their lifetime, and it contributes an outsized amount to their own net worth. And so, I...I do think making sure we have a shared-equity program with any deed-restriction program is important. There are a handful of jurisdictions. We've talked about Colorado, we've talked about...I think we've talked about San Francisco in California. They all have restriction programs that other public housing authorities look to as examples, and I can send you, or the Committee, links to their programs --

CHAIR KAMA: Um-hum.

MR. MITCHELL: -- to be a little more specific. But we're all essentially using the same tools slightly differently. Even if you look at their programs, they're doing essentially the same things we're doing, and what's different is their market context, what's happening in their market. And I think we don't...we don't talk about that enough. So, in Colorado context, they have much smaller communities that are--have an outsized sort of vacation ski tourism economy, and with a...you know, one recreational activity with a

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large workforce that for some time had to commute over an hour to get into the resort communities. And so, they decided to, you know, really protect housing around the resorts for the workers with relatively long deed restrictions, and...and, as I've coined the phrase, flexible nontime-related deed restrictions. San Francisco has a different market with . . . *(timer sounds)* . . . a lot more economic activity and greater mobility, and so their program is slightly different too. So, that's why I say not...no one program necessarily fits for Maui County, but all the programs have elements that are similar with...with...with each other. So--but I'll send the Committee, by correspondence, links to those programs.

CHAIR KAMA: Thank you.

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

CHAIR KAMA: You're welcome. So, Members, it's 11:45. I'm going to dismiss you all at 11:55 for lunch because some Members have meetings to get to. But also, I have a question...a couple of questions for Mr. Du Pont, so I'm hoping that he's still on the line. Mr. Du Pont, are you still with us?

MR. KRUEGER: Chair, we...we do see Mr. Du Pont still connected to the meeting.

MR. DU PONT: Yeah, I'm --

CHAIR KAMA: Okay.

MR. DU PONT: -- I'm still here.

CHAIR KAMA: Okay. So, I have a question for you. So, in your opening comments, you mentioned that once the developer is chosen by the Department, that that developer then becomes the person that does the entire package. What does that entire package include?

MR. DU PONT: If the infrastructure isn't in place, then that's part of it. Financing, making contact with the beneficiaries to make sure that they're in communication, and providing schedules, determining the types of homes that would be made available based on the qualifications of the individual homebuyers.

CHAIR KAMA: So, are there any...okay. So, you don't know much about the project here, the Pu'uhona project. You mentioned that earlier; is that correct?

MR. DU PONT: Yes. I know that the Department provided a list of the size of homes and the cost of those homes.

CHAIR KAMA: So, is that something the Department did, or was it something that the developer did?

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MR. DU PONT: Working with the developer, we looked at the types of homes that people were interested in, and then the assigned cost of each of those homes.

CHAIR KAMA: And so, is there...so, do you...do you know how the financing is done within the Department to the beneficiaries?

MR. DU PONT: For this particular project, I can find out, but I'm not aware of the options that are being made available to each of the lessees. And...and, you know, I mentioned if people are veterans, then they have access to that type of financing. So, I can find out that information as far as what lenders are made available.

CHAIR KAMA: Um-hum. Um-hum. So, not only--I think what I want to know is not only who the lenders are available to the project, but what kind of issues these lenders might have with deed restrictions...if at all.

MR. DU PONT: Yeah, I'm not real --

CHAIR KAMA: Or at all.

MR. DU PONT: -- real...what--unclear about deed restrictions. You know, again, I think that each of the lessees has a 99-year lease.

CHAIR KAMA: Right.

MR. DU PONT: And, you know, other than the terms and conditions in the lease, I'm not real sure that, you know, a lender would have any issues with the deed.

CHAIR KAMA: Right.

MR. DU PONT: That . . . *(timer sounds)*. . . 99-year term. I think everything comes down to what people are able to qualify for, based on the size and cost of the individual homes.

CHAIR KAMA: Okay. So, if you can get that information to the Committee, that would be very helpful to us.

MR. DU PONT: Okay.

CHAIR KAMA: So, I don't have any more questions, but Members, do you have any burning questions that you'd like to either ask Mr. Mitchell or Mr. Du Pont? And...okay. Chair Lee has left already. Member Paltin?

COUNCILMEMBER PALTIN: I did have a question for Mr. Du Pont, if he knows the answer. One of the issues that folks with deed restrictions had was being able to sell their home to an otherwise-qualified buyer. Are you aware of Hawaiian Home Land lessees that would like to sell their home, having a hard time to find other qualified buyers in terms of, I guess, beneficiaries, or being able to secure a loan?

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MR. DU PONT: So --

COUNCILMEMBER PALTIN: Or does it not happen that much?

MR. DU PONT: Did...yeah, I think if we start with the blood quantum requirement, it's a limited market. The other consideration that the Hawaiian Homes Commission has is the ability of a lessee to sell their lease if there's no improvements. And...and so, if somebody...even if somebody had a lease and they wanted to sell it, as long as there's no lot...as long as there's no home built on that lot, the Commission most likely would deny that...that transfer, or sale, from one Native Hawaiian to another. More often than not, what happens is lessees consider passing the lease on to someone in the family. And again, once they build the home, once they qualify for the...the mortgage, they're able to sell to another Native Hawaiian.

COUNCILMEMBER PALTIN: And then the mortgage, have you heard of people having a hard time to qualify for the mortgage because of the restrictions of having to be a beneficiary or the 99-year lease? Has that been an issue in qualifying for a mortgage for a beneficiary?

MR. DU PONT: I think upfront, everybody that is an applicant and/or lessee understands what they...you know, if we're talking about sale, who they can sell to. And, you know, that 99-year lease normally is not going to be a consideration, and it's just a matter of whether or not the buyer can qualify to pay off the existing loan.

COUNCILMEMBER PALTIN: Okay. I...I did see Member U'u-Hodgins had her hand up.

CHAIR KAMA: Member U'u-Hodgins?

VICE-CHAIR U'U-HODGINS: Thank you, Chair. Thank you, Mr. Du Pont, for being with us. Can you tell me, typically, how much is the average lessee qualifying...qualifying for their mortgage, considering they're not buying the land? It's a lease through you folks, they will technically never own it. But what is the cost of just the home itself right now?

MR. DU PONT: So, look...yeah, looking at the...the Waikapū project, I believe the range of homes, two-bedroom to maybe a four-, five-bedroom home, is somewhere between 500,000 to 750,000.

VICE-CHAIR U'U-HODGINS: And the 500 is for two bedrooms?

MR. DU PONT: I...I believe that's the number, and I think that's that information that I was going to provide to the Chair.

VICE-CHAIR U'U-HODGINS: Oh, okay. Okay. Okay. And 750 is for the four-bedroom, you said?

MR. DU PONT: Yeah. I'm...and again, I'm just --

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VICE-CHAIR U‘U-HODGINS: That's okay if you're spitballing.

MR. DU PONT: -- making my...my best guess. Yeah.

VICE-CHAIR U‘U-HODGINS: . . .*(laughing)*. . . I appreciate that. Okay. That's all I had, Chair. I just...unlike some of the other things, unless maybe a multifamily property, then it's...they have a smaller mortgage to qualify for typically, but it is good to understand that even a four-bedroom is 750. Luckily for them, they have a dollar-a-year lease, which is beautiful. But thank you so much.

MR. DU PONT: You're welcome.

CHAIR KAMA: So, I have a question, if you can answer it. So, on a typical loan--and let's...let's just take the...let's take a \$600,000 loan, between the 5 and the 750. What would be the monthly mortgage for a homesteader?

MR. DU PONT: Off the top of my head, I can't tell you because a part of that calculation is the interest rate. So, you know, we have the interest rate, we have the 30-year term. I don't know if the individual is going to put a down payment down, you know, to reduce that. I don't know if it's a single borrower, or if that person is having their...their spouse and/or other family members on that same mortgage, so you may have two or more people on the mortgage. So, there's a lot of unknowns, but, you know, if...if I have the interest rate that we're looking at and the calculator, I could give you the...the, you know, ballpark figure for a \$600,000 mortgage.

CHAIR KAMA: Okay. So, we are expecting lenders to come next week. Do you folks have a lender in the Department that could come and speak with us?

MR. DU PONT: The Depart...I mean, we do have a loan branch.

CHAIR KAMA: Um-hum.

MR. DU PONT: And I...I think if you have questions, I can forward that to the loan services manager to see what he's able to, you know, answer.

CHAIR KAMA: Okay. Okay. We can do that. So, thank you so very much for being here, Mr. Du Pont. Remi, yes.

MR. MITCHELL: Thank you, Chair Kama. To assist in your line of inquiry, there are a number of useful mortgage cal...calculators online that ask you to input the purchase price, what the down payment is, the annual property taxes, HOA dues, insurance --

CHAIR KAMA: Oh.

MR. MITCHELL: -- the loan term, and the interest rates. And just by looking at one of those calculators as you were speaking, at \$600,000 with less than a 20-percent down--and let's say it's just 10,000 down--with nominal property taxes at, say, 2,500 a year, with

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nominal HOA dues, 150 and...a month, and then annual insurance at just under 2,000, for a 30-year term with an interest rate a little over 7 percent, you're looking at \$4,100 per month. . . .*(timer sounds)*. . . So, those mortgage calculators are very helpful to look at what the average pricing would be, but as Mr. Du Pont said, for each individual homeowner, you don't know their capacity to --

CHAIR KAMA: Right.

MR. MITCHELL: -- bring down that...to contribute more to their down payment. You don't know what their credit rating score is, which sometimes will affect a few percentage points on the interest rate. And quite frankly, one doesn't know whether they're going to sign up for a 30-year mortgage product. They might sign up for a 20 or a 15. You just don't know. But using those numbers, you get to around \$4,100 a month.

CHAIR KAMA: Thank you. Thank you very much. Very good. So, Members, unless you have any other last-minute burning questions, we're going to say thank you to Mr. Du Pont and Director Mitchell, and take our afternoon lunch, and come back at 1:30 this afternoon. So, the HLU Committee is now in recess. . . .*(gavel)*. . .

RECESS: 11:58 a.m.

RECONVENE: 1:34 p.m.

CHAIR KAMA: . . .*(gavel)*. . . Will the Housing and Land Use Committee meeting of March 10th, 2025, reconvene. It is now 1:34 p.m. So, Members, when we recessed, we completed our questions for our agency participants. Now, we can ask questions of our development industry guests. So, as a reminder, our guests (*audio interference*)...as a reminder...okay. That sounds good. As a reminder, our guests for this portion of the meeting are Linda Schatz, Principal of Schatz Collec...Collaborative LLC, she's online; Howard Kihune Jr., he's online; Andrew Pereira, he's online; Mr. Savio is here present with us--good afternoon, Mr. Savio, thank you for being with us; and Mr. Lawrence Carnicelli, who is the Developer and Land Planner. Good afternoon, Mr. Carnicelli. And Mr. Savio is present and CEO of Savio Group of Companies. We don't...oh, Mister...oh, Ms. Duvauchelle, who's the President of Lehua Builders, has not come online yet, but we expect her to come online. Okay. So, she'll come...she'll be online. So, these two in...in the Chambers, and the other four are online. So, Members, I want to start with our...whoops, and Vice-Chair Nohe U'u-Hodgins, and then following with Chair Lee, and in the order of how you are sitting. And again, Member Sugimura is excused. Okay.

COUNCILMEMBER PALTIN: Chair, did you want them to make opening comments, or no?

CHAIR KAMA: I think we're going to start with just the questions and answers, right, James? Because --

MR. KRUEGER: Yes...yes, Chair. So, the...the situation at hand at this time is...is that the Committee is already in deliberations, so there...there isn't really an opportunity for

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opening comments per se, but...but the Members have the opportunity to already directly deliberate with...with the resources.

CHAIR KAMA: Okay. Vice-Chair Nohe U‘u-Hodgins?

VICE-CHAIR U‘U-HODGINS: Thank you, Chair. Before I begin, I just wanted to let you know that about 1:55-ish, I have to run out and pick up my kids --

CHAIR KAMA: Okay.

VICE-CHAIR U‘U-HODGINS: -- and I'll be gone for about two minutes. So, I'll be listening online, and then when I return, I will have about four minors in the house with me --

CHAIR KAMA: Okay.

VICE-CHAIR U‘U-HODGINS: -- as a heads up. But thank you.

CHAIR KAMA: Okay.

VICE-CHAIR U‘U-HODGINS: I do have a question for our housing providers, and I'm happy to...anybody who wants to answer, it's okay with me. But how does our County restrictions, including our deed restrictions, impact your folks' ability to finance your project? I don't know who wants to answer that. Maybe Mr. Kihune, or Miss...Mrs. Schatz.

MR. SAVIO: If it's done correctly --

VICE-CHAIR U‘U-HODGINS: Oh.

MR. SAVIO: -- there --

VICE-CHAIR U‘U-HODGINS: Sorry.

MR. SAVIO: This is Peter Savio. If it's done correctly, there should be no problem with financing. A lot of it is just making sure the lenders, the political side, as well as the public, all understand or have the same interpretation of what's being done. It's very similar to our leasehold system. At one time, it was not acceptable to the Federal Government, and so we had to design a new lease that everybody understood and everyone agreed on. That was back in the '50s. Once that happened, it was standardized, it was acceptable, and our leasehold market soared. It's the same thing here. We just have to understand all the implications of what's being requested.

CHAIR KAMA: Oh, okay. Ms. Schatz? Oh, I see you. Okay. Thank you.

MS. SCHATZ: Yeah. Hi. I...so, for our project, we were a rental project, and we did have a 30-year deed restriction on our affordable units. But what was very palatable to the investor and our...our financing was that we did have a portion, 40 percent of it, that

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was market rate that was not deed restricted, and that really helped to carry and convince our investors and our...our loan partner to move forward on the project. So, I do think that when projects receive public financing, deed restrictions, I think, are...make a lot of sense in...in having a term that is financeable, but projects that don't have any direct public financing, I think, should not necessarily have imposed harsh deed restrictions at all, and they should be limited to a period of time that would allow the homeowner to build equity in the project.

VICE-CHAIR U'U-HODGINS: Is Mister...thank you. Thank you for your guys' answers. Is Mr. Kihune on the line as well? I would like his opinion too.

MR. KIHUNE: Sure. . . .*(timer sounds)*. . . Hi, everyone. Thank you for the invite. Sorry I couldn't be there in person, I'm trying to...I got a little virus going on. So...but long story short, pretty much the same Linda says. I think each project has to be vetted by the bank individually. It's not like a one fits all. You need to understand that depending on the size of the project, depending if you've got market or if you all workforce, the bank is the one that ultimately will...will help make that decision with you on being able to finance that project. They don't like to see anything in perpetuity. That's what we've been getting pushback on. But I do agree that if you're...if you're getting grant money or money from the State, the County, and Feds, then, you know, there should be deed restrictions that should be palatable by everyone.

CHAIR KAMA: Interesting.

VICE-CHAIR U'U-HODGINS: Thank you. Thank you, Chair. I heard the bell.

MR. KIHUNE: Thank you.

CHAIR KAMA: Thank you. Okay. We're going to continue on with Chair Lee.

COUNCILMEMBER LEE: Thank you, Chair. Question for Linda Schatz. Hi, Linda. Good to see you. Are you in Washington?

MS. SCHATZ: Yeah, I'm in Virginia. Yeah, so --

COUNCILMEMBER LEE: Oh, Virginia.

MS. SCHATZ: Thank you. Yeah, thanks for allowing me to...to be here virtually.

COUNCILMEMBER LEE: Glad you could join us. Are you saying that if a project does not receive any County or State or Federal funds, that deed restrictions would not be appropriate?

MS. SCHATZ: I...I personally feel that deed restrictions should only be applied to projects with public funding. That is often the case in other states and municipalities. I do know Hawai'i has a tradition of providing...pushing deed restrictions onto projects with affordable units, and the average has been about anywhere between 10 or 15 years for

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fee-simple housing. I do think that the current requirements, if reasonable, can be workable. And I understand why the County wants to do it, to maintain some level of affordability in terms of supply, but the biggest way to create that affordability is by pushing more supply out, and the biggest way to push supply out is to streamline the process and allow for more projects to happen. So, hopefully, that's a good way to answer your question.

COUNCILMEMBER LEE: Yeah. No, I fully...I fully agree with you because I recall that your project took quite long --

MS. SCHATZ: Yes.

COUNCILMEMBER LEE: -- longer than you expected, and...and your funding was at risk at one time as a result of that. So --

MS. SCHATZ: It was. It was.

COUNCILMEMBER LEE: I...what I--but I guess you guys don't know that we have over 600 positions unfilled. So, if you think your project took long before, it would take much longer now. So, implementing these types of restrictions, no matter what they are, will be challenging. And that's not even the crux of the problem. The crux of the problem, really, is what you just said, you know...we need to get these projects moved in an expeditious way so that we have sufficient inventory. I totally agree with that. Do you have any follow-up comments that you --

MS. SCHATZ: Yeah --

COUNCILMEMBER LEE: -- thought of maybe?

MS. SCHATZ: -- I do. We started that project in 2016, and it actually took a very long time to finance the project because of how complex the deed-restriction process and the entitlement process was. And frankly, if we were able to have zoned land that...that...that made affordable housing or even housing in general legal to build by right, we could have built that project in less than five years. But we started in 2016, and we just finished about a year and a half ago, and have been leasing. And so, it took a long time to bring those units to Maui. And we...we probably could've done it . . . *(timer sounds)*. . . in, you know, maybe half the time if...if these restrictions were in place.

COUNCILMEMBER LEE: Okay. Thank you.

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

COUNCILMEMBER PALTIN: Thank you, Chair. Earlier today, our Housing Director was talking about nontemporal deed restrictions. I was wondering if you guys had any experience with those like owner-occupied requirements or, you know, various levers that don't cause friction with the lending institution?

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MR. CARNICELLI: I'll just...maybe just point to one, one of the--I...I did listen to what the Director said this morning, and it didn't necessarily come up, but even just...you know, 2.96 is a...is...is more than just the length of time that a deed restriction is, but even the...the AMI categories that we have to fill, and the percentage of units that have to go in each AMI category affects revenues. Ultimately, you know, what the bank looks at is, you know, how viable is the project or not, whether they're going to be able to lend on that. So, even something like that--I mean, we can go through...there's a bunch of different things within that ordinance that point to that, but that would just be one example, I think. And I'll let the...you know, the other guys and gals speak to that as well.

MR. SAVIO: I basically disagree with everything that's being said, and...and not...I'm an affordable housing developer. That's all I do. My projects are 100-percent affordable. My projects come in as low as 30 percent of medium income. I take no government assistance, no government help. Yes, the slowness in getting approval sometimes is a problem, but what you're doing is you're using supply as a solution when supply is the problem. The more you build, the more expensive everything will be because you're not controlling demand. Demand is the problem. We cannot compete with the retirees. We cannot compete with the mainland buyers. In my newest program I'm coming out with, I want to have the homes guaranteed price-wise forever--not 10 years, 30 years--forever. And the price increases will not be tied to the market, it will be tied to wages. And that's the definition of a local real estate market--properties being bought and sold within a community for the people that live and work in a community. The fact that our market has distorted by 7 to \$800,000 tells us that the demand is off-island. It's not a local demand. You cannot compete with that. We have affordable housing now that is cheaper than market, but it's not affordable. Local guys cannot afford to buy. And so, what you have to do is change the whole template. We shouldn't build rental housing; we should build rental housing that's tenant-owned. Right now, every program we have creates wealth for the developer . . .(timer sounds). . . creates wealth for everyone but the tenant. That's the mistake we're making. We have built 4, 500,000 homes in my lifetime. They all cost...most of them cost under 100,000 to build, yet today, they're all a million dollars. Hawai'i knows how to build homes, we just don't have a mechanism to keep it affordable. So, in this type of a situation, you're looking at one target here, one target there, and one target there, and you think you're going to solve the problem. All you're doing is making it worse. You need a complete housing program from beginning to end--and that's what Singapore did. When they talk about Singapore, they misunderstand. Singapore came to Hawai'i in the '60s and learned how to build homes because we were so efficient at building homes. They went back and implemented our policy, and created a successful residential ownership market in their country. We crashed and burned. We have to go back to the concept of building a special market for the local people. Everything else is going to fail. You've been doing it for 60 years; it's failed for 60 years. It's going to continue to fail. And I apologize for taking so long, and having a different view.

COUNCILMEMBER PALTIN: Oh, not at all. Just they've been doing it for 60 years. I haven't been alive that long, but sure.

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CHAIR KAMA: We're going to continue with Member Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. And I appreciate everybody's passion and your expertise on this issue. Mr. Savio, you're singing my song, so I got some more questions for you, okay? First off, you know--*(audio interference)*--okay. The idea that, you know, you want...you're...you're pushing for deed restrictions for perpetuity, quite often we hear the urban blight fear...like, you know, oh, well, what's going to happen 50 years down the road? That house is not going to be the value that it might be, you know? So, maybe you can address the idea of perpetuity doesn't or does, you know, and how that affects urban blight. The other question is, you know, properties being tied to wages. I love that. However, the...the HUD guidelines tell me every year, I make \$4,000 more than I did last year. Every year, HUD guidelines is going up. And it's not that I'm making more money or our community's making more money, more wealthy people are moving here, thereby skewing our numbers. So, those are the things that I--when...when you were going --

MR. SAVIO: I --

COUNCILMEMBER JOHNSON: -- rapid fire, I was --

MR. SAVIO: Yeah.

COUNCILMEMBER JOHNSON: -- . . .*(inaudible)*. . .

MR. SAVIO: I didn't say to use HUD guidelines because HUD guidelines are an absolute distortion.

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: You have to --

COUNCILMEMBER JOHNSON: So, how --

MR. SAVIO: -- use wages. What are local wages? What is our hourly wage? What's a carpenter getting paid? What's a plumber getting paid? Local wages. Forget anything involving the Federal Government --

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

MR. SAVIO: -- or HUD because that's a nationwide number.

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: You want a local number, okay? So, you're building for that.

COUNCILMEMBER JOHNSON: Um-hum.

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MR. SAVIO: In terms of blight, I...I don't see why there'd be blight. People will own the home...okay. First of all, everyone thinks you buy a home for appreciation. Appreciation is a minor wealth creator in real estate. It's not a big one. It's one we can afford to give up, okay? You buy wealth in real...or you buy real estate to lock in your biggest monthly cost of living...housing. You lock it in for 30 years, and after 30 years, it goes away. Also, all of your pay raises during that 30 years, you receive. If you go back in time, in 1960s, a house was expensive. It cost \$22,000. Today, it's worth a million. To buy that house cost \$59,000. If you rented that house until today, it's over a million five. If the family who bought that house took this million five in pay raises and bought stocks and bonds, gold, silver, real estate, went to Vegas, whatever they did with all of that money, they would be in a better position. So, we structure all of these programs because we're worried about appreciation, and appreciation should be, forget it, you're buying because you want to lock in to ownership, you want to lock in a monthly payment. That is the reason you buy real estate. And then the whole solution is different now, and it all --

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: -- makes sense.

COUNCILMEMBER JOHNSON: So, when...you know, you...your...you started off your...your opening remarks in a way that you're 100 percent affordable housing. That's what you do. This is your lane that you're in. A lot of folks aren't in your lane, so they'll take the LIHTC money, they'll take the Fed money, they'll take this money, and then it kind of locks them down into those HUD guidelines and . . .(timer sounds). . . locks them down what they can and cannot do. You want to try to make locals first, and then they point to Federal Fair Housing guidelines, right? So, where --

MR. SAVIO: We can do it without the Federal money.

COUNCILMEMBER JOHNSON: How do you...how do you do that?

MR. SAVIO: It's...okay. Right now on O'ahu, they're wanting to build homes, and they said, Peter, how would you manage to do it? And I said, okay, guys, first off, you could say anyone who's going to buy into this program, we're going to waive your property taxes.

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: You buy in, we're going to waive your sewer fee.

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: You're going to buy in, we're going to set up a program where you can buy paddles and a solar conduit so you don't pay electricity. You take all of these types of concessions, and what you've done is you've reduced the cost of living by 2 or \$3,000.

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COUNCILMEMBER JOHNSON: Sold. Let's build.

MR. SAVIO: Now the people are in a position to be able to buy. When they...in my program, I accept the fact I cannot change the cost of the real estate. Because what it's going to cost to build the house is what it costs to buy lumber, ship it here --

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: -- appliances. But what I can change is the development side. As a developer, I make 5 percent, so I'm a developer for a fee rather than a profit. In my program, the State or the County would take all of the development risk. A developer would need no money to do a project. The County would say, you design it, you build it for us, and we'll guarantee the loans. Now I don't need the equity partners. I don't need to pay money to all these different people. I've already cut the cost by probably 20 to 30 percent just in the structure of how it's done. Then, of course, since the price went down, my real estate commission went down, my escrow fees went down, my interest expense went down, and maybe I cut a little bit more. The reality is, it has to be in how we structure it. And if it comes out the house is 450,000, it's not affordable, then the government has to subsidize it until it does become affordable. The person who buys that house will struggle, okay? But then income will go up over the next four or five years, and it becomes affordable. Once the home is in the program, it will stay there forever.

COUNCILMEMBER JOHNSON: Um-hum.

MR. SAVIO: So, when those people sell or pass on, chances are they're going to give it to their kids anyway, so the appreciation doesn't matter.

COUNCILMEMBER JOHNSON: Um-hum.

MR. SAVIO: But if they do sell it, they're selling it at the cost of the original home plus the increase in wages...20, 30 percent. It absolutely is the only solution that will work right now because we've pushed ourselves so far --

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: -- into the international market, everything's distorted. The rent they pay for the supermarkets, distorted. The industrial rents are distorted. The apartment rents are distorted. You cannot change that. We have to keep the market we have because it's there. We want developers to build the million-dollar units in this model, it's just that those units are now going to benefit the local market because they'll pay higher taxes and the local guys won't be, et cetera. So, there's a balance between the two.

COUNCILMEMBER JOHNSON: Got you.

MR. SAVIO: Once you develop a market that's all affordable, you get rid of all the smoke, and all the confusion, and all of this pay us more or whatever, and now you're focusing in. You need a department, a County or State department that's nothing but housing, and

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can make all of the concessions that have to be made to get the homes built efficiently. The...there's...the...the reason we have failed is our own stupidity. Seriously. We refuse to accept an alternate solution. We can't see the fact that supply has been a disaster for us. It has failed. Sixty years it's failed, and yet we're still talking about doing supply. That's the definition of insanity. So, basically, you're all insane. So am I --

COUNCILMEMBER JOHNSON: I --

MR. SAVIO: -- but for different reasons.

COUNCILMEMBER JOHNSON: I don't have a follow up.

CHAIR KAMA: And...and that's why we're going to go on to Keani Rawlins-Fernandez to bring us back to our sanity.

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(laughing)*. . . Oh, no pressure there.

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

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(laughing)*. . . I...I thought the segue was, that's why we're going to Member Rawlins-Fernandez because she's insane like the rest of us. . . .*(laughing)*. . .

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

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. And mahalo, Mr. Savio. I...I am loving your passion for affordable housing because like Member Johnson and Member Paltin said before me like our...our constituents that contact us don't want to support anything but affordable housing, housing...housing that house our residents because our people are being pushed out, you know? So, I...like I know like what was said earlier about like there shouldn't be deed restrictions for projects that don't receive any government subsidies, but these projects benefit from the infrastructure that was built from public funding--roads, water, wastewater--and so there is a benefit. There is a value that these housing developments are getting. And so, you're saying that supply is the problem. I...I was hoping you could elaborate more about when you say supply--so that we're on the same page with you--what do you mean as supply?

MR. SAVIO: Well, first of all, supply is not the problem, supply is the solution. The problem is demand. We cannot compete with the mainland buyers. Our market has distorted so much now that agricultural land that should be selling for 10,000 an acre is selling for 40,000 or 50,000 an acre--not because that's what our farmers can afford to pay, because that's what a mainland buyer will pay to buy 50 acres and build a house. It's distorted our industrial property, our residential property. All of our land values are distorted. All of our lease rates are distorted. Our cost of food, our cost of gas...all distorted because we're paying excessive rents. All of that filters through in the forms of whatever we have to pay. In real estate, if we can control the demand, we can now build homes that our people can afford. The government and whoever's involved will

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have to subsidize to get those units to where they're affordable. But once you've put a person in that affordable housing, it's going to be affordable forever. And now, when you're looking at the market, you're going, okay, you want to build the million-dollar units? Go ahead and build them, but we're going to have this property tax, or we're going to have this impact fee, and that money will go to affordable housing. Right now, our local market is subsidizing the wealthy off...off-island market. It should be reversed. They should be subsidizing us. If we raised property taxes on all of our real estate three or four times--the mainland guys pay the higher taxes, the local guy could pay no taxes--everybody in our state could be tax-free, or \$10 a month for property taxes. Now you've subsidized our buyers, made it easier for them to buy. Everything we do tends to be wrong when we do it in what we want to accomplish with housing because we don't have a single department in this State or County that focuses on housing--all aspects of housing--who understands that demand is a problem. If you accept demand is a problem, the whole solution changes. The good news is, the State is going in that direction now, there's a couple bills where they're looking or studying demand as the problem, and they're beginning to get it. So, to me, very clear. You cannot affect the--a cost of supply as much as you want because the appliances cost what they cost, the nails cost what they wa...the lumber, the shipping, those are costs we can't change. So, don't mess with the cost, mess with the structure and the process . . .*(timer sounds)*. . . of delivery. Even on these prefab homes, I've talked to the unions and said, would you allow them? And they say, absolutely not. I said, what--would you allow them if they're in a market where they cannot be resold for more than wages? And then they're going, yeah, we can do that. Because you're not stealing our wages to make a developer wealthy, you're stealing our wages to create affordable housing for our kids, for our workers, and our grandkids. Guys, we're losing 60,000 people a year. We're not going to have workers. We are destroying our economy, and you got to do something now. You're running out of time.

CHAIR KAMA: And that's so true. I'm sorry.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Savio.

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

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

CHAIR KAMA: Okay. We're going to continue on with Member Cook.

COUNCILMEMBER COOK: Aloha to both our...all of our resource people. Hello, Mr. Savio, again. It's...I love your passion. What's your feeling on multifamily versus single-family in general? Short...short answer because I got a couple of questions.

MR. SAVIO: I...I don't usually have a short answer, but...it's the Portuguese in me. Multifamily or...to me, multifamily and single-family all work, okay? Again, going to single-family, you have single-family, you say you can build two more units. That's bad because you increase value. But by the same token, if you say we're going to let you build two more units, but they have to be built as workforce housing, they have to be tied to the cost of

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wages, then all of a sudden you have not increased the price, you've created two affordable units that will be affordable forever. So, what you do is a good solution, how you implement it is horrible because you have no respect for how the market responds to the change. That's what you have to be aware of.

COUNCILMEMBER COOK: What's your thought about if the County buys property and leasehold, and then you build multifamily on top of it for workforce?

MR. SAVIO: Okay. When you say the County buys property leasehold, they're going to buy leasehold from like --

COUNCILMEMBER COOK: They're going to --

MR. SAVIO: -- A&B, or they're going to buy it in fee and convert to leasehold?

COUNCILMEMBER COOK: They're going to buy it in fee, convert it to leasehold so that that...that factor of it stays with the value of the properties. And this...this isn't single-family --

MR. SAVIO: No.

COUNCILMEMBER COOK: -- this is talking about Kahului, higher density, one-, two-, three- --

MR. SAVIO: Oh.

COUNCILMEMBER COOK: -- bedroom units.

MR. SAVIO: I...I'm not adverse to leasehold, but I think, everyone, it's...it's a false savings. You can make that same project fee simple without the government being involved. And my...my fear tends to be government involvement over time sometimes loses sight of what its mission was. The...the key on something like that is, if you're going to build housing...if you're building rental housing, it's evil because you use our poor as a funnel through which all the wealth flows. If you build rental housing and make it tenant-owned, that makes sense. My aunt lived in a building like that. When she moved in, her security deposit was her down payment. Then she paid her rent, which was what the mortgage payment would have been for on that unit. After 30 years, the mortgage payment went away. Her rent went down. She lived there for 40 years. She turned her unit back and she got \$4,000 for it because that was her security deposit plus 5 percent interest for 30 or 40 years. So, what...poor woman. What is she going to do? She had \$3 million saved because of all her pay raises. And this is a single woman, living in one of the most expensive cities in...in...in America, New York, and...and she traveled every year. She had a good life all because she locked in the cost of housing. We have three projects like that at Honolulu that were built in the '50s. They're very successful today, but you won't hear anything about them. They don't want the government to know they're here.

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COUNCILMEMBER COOK: So --

MR. SAVIO: But they're there, they exist, and it worked.

COUNCILMEMBER COOK: So, rent to own is kind of --

MR. SAVIO: Correct.

COUNCILMEMBER COOK: -- is the model...is the model?

MR. SAVIO: The rent-to-own is the model.

COUNCILMEMBER COOK: Okay. Thank you, sir. Thank you, Chair. . . .*(timer sounds)*. . .

CHAIR KAMA: Okay. And we're going to continue with Member Sinenci.

COUNCILMEMBER SINENCI: Mahalo, Chair, I...and thank you for this conversation. My...I guess my concerns are, you know, when we're...when we're keeping as much of it as our...I guess our housing stock in affordable, does that create more...I guess for...for the County, does that create, I guess, more supply for us or the value of more affordable housing? What types of the benefits, as the County, do we have to keep as much stock in affordable as possible...as far as value...valuations? It may be a taxation question. Mr. Savio?

MR. SAVIO: Okay. For the County, the benefits...fantastic. In fact, we should be doing it because of the benefits. So, all of a sudden now, we have 3, 4, 5,000 people who own their home. They've locked in a monthly payment. They get pay raises. Now, their money is being spent on the local economy. They have the money to start a business. They have the money to send their kids to school. You've increased our tax revenue. You have now taken control of our market so it benefits the people. You've created thousands of jobs building homes, homes that can be sold on the local market. If you...if you...if you turn this model around, there's nothing but good for the counties and the state in terms of tax revenues, the spending of the money because it cycles through our economy. Right now, we have so much money that leaves our state. All of our shopping centers, all of our large rental projects, they're all mainland-owned. We don't own anything anymore. We've gutted our economy, and we're wondering why we're struggling. Because the wealth no longer stays with us. And the wealth is not the monthly payment for the owner, the wealth is the appreciation. That's why you want to keep ownership locally. But the benefits, if you--no matter how you look at it, the benefits are much better than where we are right now. Where we are right now is the worst possible place to be. We're on a downward trajectory, and there's nothing to stop us.

COUNCILMEMBER SINENCI: Thank you for that. And...and in the current...you talked about the current environment with...with things that are happening really quickly at the Federal level. Do we have more--as...as Council...Councilmembers, do we need to be concerned with things from the...that's happening rather quickly at the Federal side?

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MR. SAVIO: I...I have a response to that also. The Federal Government's --

COUNCILMEMBER SINENCI: Please.

MR. SAVIO: -- also part of the solution. One, you have Section 8. We got Section 8 --

COUNCILMEMBER SINENCI: Oh.

MR. SAVIO: -- converted to an ownership program in '85, yet we've never used it. We could take Section 8, which is higher than market rents, and use that to build rental units, but now they're owned locally. Right now, we do Section 8 housing, the mainland guys owned it, he gets the above-market rents, and we end up getting nothing. Our tenants should be able to take Section 8 and buy. The other thing, especially on Maui County, you got Farmers Home Loan. You should be building thousands of homes using the Farmers Home Loan program where you get low interest rates. So, all of a sudden, you know, the rate might only be 5 percent or 4 percent. They have 100-percent financing available. . . .*(timer sounds)*. . . The problem in Hawai'i, nobody has down payment. We live paycheck-to-paycheck. We have a whole bunch of problems to solve, but the solutions are there. They're not obstacle, they're there, we just don't see it. We don't interpret it. We have the unintended consequences on real estate that bites our State and our counties every time because you're not looking at the unintended consequences, you're looking at what you want to be, which is failure for the last 60 years.

COUNCILMEMBER SINENCI: Thank you. Thank you, Chair. I heard the bell. Thank you.

CHAIR KAMA: Thank you. So, we're going to continue on with Chair Lee.

COUNCILMEMBER LEE: Mr. Savio --

CHAIR KAMA: She went to pick up her babies.

COUNCILMEMBER LEE: -- since you think you have...you have some interesting ideas, Mr. Savio. Is there any reason why you haven't been able to convince the State and County Governments to your point of view?

MR. SAVIO: I gave up years ago and started doing my own affordable housing program, and I assumed after doing 6,000 units, getting people to buy with no money down, as low as 30 percent of medium income with no government help, somebody in there would realize, wow, he's doing it. How's he doing it? It hasn't worked. A lot of the other developers are nervous about what I present, but I want to keep their programs alive. I don't want to discourage the million-dollar unit. We need that market. That's the market that's going to subsidize the affordable market for us, okay? We need to develop the developers who are going to do the affordable housing. And I approached a number of developers with this concept, and all of them started off by telling me I'm crazy. It won't work. They'd never do it. And then when I explained how it worked, they all said, oh, Peter, I'll do it. I'd set up a division that does nothing but affordable housing because

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even though we're only getting paid 1, 2, 3, or 5 percent, we're taking no risk. You took the risk out of --

COUNCILMEMBER LEE: Okay. Thank you.

MR. SAVIO: -- the equation.

COUNCILMEMBER LEE: Thank you.

MR. SAVIO: It works.

COUNCILMEMBER LEE: I think you went over that already. Thank you very much. Can I hear Mr. Pereira's comments?

MR. PEREIRA: Thank you, Councilmember. I think...I think Peter Savio brings up some...some salient points. I would be curious how Mr. Savio handles infrastructure. If...if the Council goes down the route of increasing the length of time for deed restrictions, perhaps there's a possible offset with tax-increment financing to get infrastructure in place, where you're using future property tax collections to get the infrastructure down, thus lowering the...the amount that the developer has to put forth in capital to get the development going. So, it's an interesting discussion, but there could be, you know, some...some offsets there that the County could provide with, you know, tax-increment financing, those type of mechanisms, that really haven't been tried before in...in Hawai'i from...from...from my...my talking to home builders.

COUNCILMEMBER LEE: Would you see deed restrictions as a solution that would take priority over the development of water?

MR. PEREIRA: You know, the...the water question is...is very salient. In our Hawai'i Perspectives polling, which is just out last week, we actually polled that question, and there was 66 percent support for desalinization, with folks either strongly favoring it or somewhat favoring it. So, that's an interesting question, Councilmember. As far as, you know, I think what it would do to the housing market on Maui, I think it would have to be the size of the plant, and how much potable water you're...you're bringing to market, and then how . . .*(timer sounds)*. . . that's divided it, you know, whether it's CWRM or otherwise.

COUNCILMEMBER LEE: Thank you. Thank you very much.

CHAIR KAMA: Thank you.

COUNCILMEMBER LEE: Thank you, Chair.

CHAIR KAMA: So, I just wanted to recognize that Ms. Duvauchelle from...President of Lehua Builders is here, so if you had questions for her, she's available. So, let's continue with Member Paltin.

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COUNCILMEMBER PALTIN: Thank you, Chair. I had a question...a clarification for Mr. Savio. If we're not using the HUD guidelines, and you're building for affordable housing, how do you prevent those mainland buyers from buying your affordable housing and make them buy the million-dollar houses?

MR. SAVIO: Basically, on all of our affordable housing right now, we have restrictions. You got to be a resident. You got to be 18 years old. You can't own other real estate. The two big protections for the local market would be you can't have more than 20 percent equity or...or value, and you...you cannot have savings, and you can't own other properties. So, the restrictions we're presently using are good. They have to be up...beefed up a little bit, and they need to be standardized so all projects have the same restrictions, so everybody understands them, and it takes the mystery out of it. That's part of the problem now. We shoot 20 separate arrows with 20 separate set of rules, and everybody gets confused. We need a standardization.

COUNCILMEMBER PALTIN: And then is there like a length you have to be a resident, or is it one year, or...

MR. SAVIO: If it's workforce housing, I think you'd want at least two to three years working here in Hawai'i because that's what the lenders will require to qualify for a loan. So, it's a reasonable request.

COUNCILMEMBER PALTIN: And does it matter, the job? Like, could we give preference to the jobs we need? We really need teachers, police, engineers...those kind of things. I mean, we got a lot of yoga teachers here. Nothing against yoga teachers, but --

MR. SAVIO: You...you...you --

COUNCILMEMBER PALTIN: -- we're not short --

MR. SAVIO: -- you want...you want to be able to do that, but you also have to realize, we're not talking about building 1,000, we're talking about building 100, 200, 300,000 homes. You have to think big. You have to dream. If you're going to build for the police, you're going to build for the firemen, you're going to build for the teachers, the nurses...everyone else is going to leave. So, we won't have plumbers, electricians, and maids because nobody can afford to be here. You've got to build for the whole market.

COUNCILMEMBER PALTIN: I mean, all of those are needed. I...we have an abundance of yoga teachers. Just saying.

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

MR. SAVIO: There are things we can do where we could build 20, 30, 40,000 units relatively quickly, it's just we don't think that way. And...and we could make the changes we have to make. We could create a construction boom, and...and it's possible. It's just sitting down and laying out a comprehensive affordable housing plan.

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COUNCILMEMBER PALTIN: And then when you were saying about the rent to own or like those long-term ones, who is...is...is it a management agency that's responsible for the upkeep?

MR. SAVIO: Again, it'd be like a condominium except it's tenant owned, okay? Then again, you have a property management firm. So, the developer, if he wants to make money after the project's completed, he would come on as the managing agent and get paid a reasonable fee to manage the project, or they'd hire . . .(timer sounds). . . independent property management firms.

COUNCILMEMBER PALTIN: Okay.

CHAIR KAMA: I'm going to continue with Member Johnson.

COUNCILMEMBER JOHNSON: Mr. Savio, I'm really interested in the Section 8 that you mentioned. You know, we often hear of Section 8 being like an individual, but then learning more about Section 8, there's project-based vouchers where the whole project can fall under Section 8. I'm curious, you said there was a pathway for people with Section 8 can buy.

CHAIR KAMA: Yep.

COUNCILMEMBER JOHNSON: Can...maybe you can explain that one. And the other thing is, with any kind of Section 8, the...the counterpoint is you--we don't want to concentrate poverty, hence the term growing up in the projects was --

MR. SAVIO: It's not concentrating --

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: -- poverty.

COUNCILMEMBER JOHNSON: Please respond.

MR. SAVIO: I've sold to people on Section 8, and I can tell you right now, they can go from being the world's worst tenant to the best buyer because now they have hope, they have pride, they feel a sense of success. In the '80s, I was at a legislative hearing complaining about Section 8 being a program for the wealthy, using our poor as a funnel through which the wealth flowed. Senator Crozier called me the next day and said, Peter, I couldn't sleep all night. You...you touched my heart. You're right. I talked to Senator Inouye; he loves the idea. He's going to get the law changed. Five years later, they got the law changed. Since that law has changed, our State has not taken advantage of it because everybody's afraid we're helping Section 8 get into ownership, but we're not helping the rest of the people.

COUNCILMEMBER JOHNSON: So, you say the State's not helping, but is there a responsibility of the --

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MR. SAVIO: The County.

COUNCILMEMBER JOHNSON: The --

MR. SAVIO: Private citizens can.

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: I...I think I'm the only guy who sold to anyone on Section 8 in my projects.

COUNCILMEMBER JOHNSON: So, do you need a...do you think developers should maybe re...take a look at that as well? Because I'm...I mean, County, we...we have Affordable Housing Fund, it's totally different, but I'm curious what other developers might think about going that route.

MR. SAVIO: If...if the County and the states get together, and we set up an affordable housing trust, which we'd need the State Housing office per se, to build and develop units for the local market, all of these things get solved --

COUNCILMEMBER JOHNSON: So, we have the --

MR. SAVIO: -- and we work on it.

COUNCILMEMBER JOHNSON: -- Affordable Housing Fund, right, here in Maui County. We have a fund that's for affordable housing. And we can even use bond money and bond something --

MR. SAVIO: Yeah.

COUNCILMEMBER JOHNSON: -- and pay that off with our --

MR. SAVIO: Yeah.

COUNCILMEMBER JOHNSON: -- Affordable Housing Fund.

MR. SAVIO: There...there's all kinds of things you can help, but regardless of what you have, it's not enough. I mean, it isn't.

COUNCILMEMBER JOHNSON: You're right.

MR. SAVIO: We...we...we don't even have enough money at the State to do...do mortgages. We got to borrow from the mainland institutions. So, we...we have to accept the fact, your fund has to be seed money. It has to help get the...the process started. The funding has to come from regular lenders--banks, et cetera--and...and that will happen as long as the structure is there, the rules are there, and everyone agreed up front that this would be acceptable for the lenders.

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COUNCILMEMBER JOHNSON: You mentioned that the Farmers Loans help first-time homebuyers, like the USDA First-Time Home Buyer Loan, they don't require a big down payment. Do you feel that either our populous isn't aware with it, or developers aren't aware? Or why aren't we taking more advantage of the USDA First-Time Home Buyer Loan . . . *(inaudible)*. . . --

MR. SAVIO: Because it's a hassle. . . *(timer sounds)*. . . It's a Federal loan program. This again is where we've never used it, and...and our State is amazingly low in borrowing funds through these programs...yet for us, it's a solution because if we're building affordable housing in a rural area, we qualify for very low-rate --

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: -- mortgages. I mean, it's huge. You've got these rental programs for farm workers. You get fantastic rates.

COUNCILMEMBER JOHNSON: Right.

MR. SAVIO: So, we can solve our programs or a lot of our housing costs by using Section 8, by using Federal Farm Home Loan, and then, of course, just normal programs. We're talking--all of these programs are going to be market programs --

COUNCILMEMBER JOHNSON: Okay.

MR. SAVIO: -- market financing.

COUNCILMEMBER JOHNSON: My...my time's up, but just to let...for the sake of information, that USDA loans is applicable everywhere except for here in Kahului-Wailuku. This is --

MR. SAVIO: Yeah.

COUNCILMEMBER JOHNSON: -- an urban area. Everywhere else, though, Maui County --

MR. SAVIO: It goes.

COUNCILMEMBER JOHNSON: -- it's --

CHAIR KAMA: Yeah.

COUNCILMEMBER JOHNSON: -- it's good. Thank you, Chair.

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

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. So, Mr. Savio said he builds for about 5 percent, and what I understand is the average developers on Maui charge like 11 percent of profit...for profit. And, you know, Mr. Savio was asked like why hasn't he

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convinced others on O‘ahu of his perspective that he's sharing with us today? I mean, and the answer is easy, it's money. That developers and construction unions that want to maximize profits to fund the campaigns of elected officials like PRP that Mr. Pereira is a lobbyist for. So, that...that's the answer to that question. So, with...with the type of...of abuse and...and maximizing profits at the expense of the...the rest of the community, Maui's housing market will never self-correct. Demand, as Mr. Savio pointed out, is the problem. Places like in Colorado and Aspen, there's like a--70 percent of their housing inventory has a deed restriction, and over half of them have a 50 percent of--their townships and municipalities, their housing inventory has a deed restriction on it. My question to Mr. Savio is, do you have any comments on like what--if...if it's a percentage, or like how...or if it's an affordable housing trust, how much of our housing inventory should be shielded from the investor or foreign market?

MR. SAVIO: The local market...everyone in the local market needs to be shielded. Homes that are there now should be asked if they can come over to the affordable market and accept the deed restrictions voluntarily, and I believe a number of them will. But it...it's...it has to be massive. We're not talking thousands of units, we're talking hundreds of thousands. Think of all of our workers, all of our teachers, all of our kids wanting to own a home in fee, apartment or single-family, all of them would be in this market.

COUNCILMEMBER RAWLINS-FERNANDEZ: I love it, and...and I agree. So, with the affordable housing trust, you said in working together with the State, the County could create this affordable housing trust, and then this would be managed by our Housing Department that would...you mentioned that would focus on nothing but housing. And so, in that comment earlier, when you're saying like folks doing nothing but housing, like what...what did you...what did you mean in that context? Like what...what did...what are you thinking? What's the...what's the vision?

MR. SAVIO: I think you need a department that whenever you do something affecting real estate, you can go to them and they'll come back and say, great idea...or they're saying, you're insane, it's not going to work, and this is why. The problem...we have brilliant ideas, but always get the negative consequences, the unintended consequences . . .(timer sounds). . . because we don't accept the market. If you have a department that's all they're focused on--you know, someone like me, that's my mission--you'll...they'll get it. And so, you...we...we have to have a group like that. And right now, it's the--what's the--Housing Finance and Development is the closest thing we have. But it has to be someplace, as a developer, you can go and all your questions can get answered there. And they're plugged into the counties and can say, yes, we'll waive that requirement if you do this. We have a pre-agreement. The County will pay for the infrastructure if you limit the homes to 80 percent of medium income. The County will do this, the State will do that. It's all agreed to upfront. We have a program, we've thought it through, we're ready to go, we're open for business, and build, baby, build.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Savio. Mahalo, Chair. I heard the sound...the bell.

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CHAIR KAMA: Thank you. So, we're going to continue with Tom Cook.

COUNCILMEMBER COOK: Thank you, Chair. My question is for Mrs. Schatz for your experience with getting...not so much the land use, but building permit approvals. Do you have any suggestions or advice after having experienced that of how it could be improved?

MS. SCHATZ: Yeah. I do think that the...the County staff, they're amazing people and they work very hard. I think they have a lot on their plate, and so, you know, things sometimes fall through the cracks only because they are extended and don't have enough staff to go around. So, I really feel for the amount of work that they have to do. I do think that the County...as Peter was saying, I...I--out of all the things that he said, this is one thing I do agree with--I don't agree with everything, but the one thing I do agree with is that the County does have to have some type of a housing coordinator position or office that actually helps to spearhead and streamline projects through the process. You guys are a lot of departments, and we have to touch them all and get approvals for everything, and sometimes, you know, things just kind of get lost. So, having a point department that focuses purely on that would really help improve the process, and to...to move it along. But I will say that the entitlement process actually is probably Maui's most difficult thing. There's not enough entitled land in that process. If you notice, affordable housing or any type of housing has to go through a 201H. 201H is a deregulating mechanism, and it basically allows housing to happen. Essentially, your zoning laws almost make it virtually illegal to provide housing under the current regulatory platform, so that's why we have to do 201H. So, if that could change, you guys could potentially see more housing, you know, in the future.

COUNCILMEMBER COOK: Thank you for that answer. And do I have any more time? So, Mr. Savio, you mentioned before as far as market, like somebody's...somebody's going to pay the freight as far as the economy. So, we have the affordable element. Do we also have what they call luxury homes or other homes, and is that...is that supported and part of the equation?

MR. SAVIO: Yes. You...you have to keep both markets. You...you cannot do anything but that. Right now, we have affordable markets, but they don't contribute to affordable housing. But if you create an affordable market, and now the property taxes, the extra tax is charged on the more expensive unit, subsidizes the affordable unit, reduces the cost on that, now it starts to balance each other out. Both sides would pay their fair share, but the mainland investor or mainland owner would pay a higher tax rate, and we'd get home exemption because we're paying all the other taxes. It works.

COUNCILMEMBER COOK: Thank you, sir. Thank you, Chair.

CHAIR KAMA: Thank you. . . .(timer sounds). . . Perfect timing. Now, we're going to continue with Vice-Chair Nohe U'u-Hodgins.

VICE-CHAIR U'U-HODGINS: Thank you, Chair. Shucks, I know I was gone for 20 minutes, but I came into a very interesting conversation. A couple things, though. When we talk

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about our union employees, the past--or construction workers, the past few days, we've been hearing some of the issues that come along with some of the builder problems. All this morning, we heard about builder's issues. When you have union carpenters, and union plumbers, and union electricians, you don't have those builder issues. The other day, we heard Mr. Andrew Gibbs talk about how he makes more money when he brings in his family and they go for a luxury home, versus when they have a nonluxury home. Unions won't have that issue. They get paid a livable wage--a livable wage that put me through college, made sure I had dental work, made sure I went to the doctors when I needed to. So, that's exactly what we want when we talk about a livable wage, and it's the benefits that come with it. So, let's maybe stick away from attacking that because I'm kind of getting tired of that. I understand everybody's perspective, but it's ridiculous sometimes to kind of make this us-versus-them mentality when those people are brothers and our sisters. Can we please stop doing that? Secondly, I would like to understand, from Mr. Savio's perspective--I'm only halfway through your book, so I apologize if the answer is in the latter half of your book that I didn't get to yet--but your price point for your home is 450,000. If you put the home as a hub, it would sell if you pair it with wages, which I'm assuming, I hope, is about union wages because that's, again, a livable wage. Earlier today, we heard DHHL sell a two-bedroom home and the land you don't buy for 500. So, what kind of government subsidies would we need per unit or per subdivision to get a \$450,000 home?

MR. SAVIO: Every project, every County is a little different. I'm doing a project in Ewa right now with the City and County of Honolulu, converting a plantation camp into a condominium owner-occupied situation. Our house lots, three-bedroom, one bath, 5,000-square-foot lot, is going to come in at 150,000. The 90 lots that are going to be built are going to be single-family homes, and they should come in around 400, 450,000. They'll appraise at about 800, so we're...we're probably going to be 3, 400,000 under market. And I might add just one thing also. The unions have approached me and...and have told me, Peter, even our union members cannot afford to buy in the present market. The market's running away. We need help. So, I don't want this misconception that the carpenters or the plumbers are making it, surviving in this state with our present wage structure and house structure . . .*(timer sounds)*. . . costs. They're not. It's...it's running away, and it's getting worse and worse.

VICE-CHAIR U'U-HODGINS: I agree. I agree. Those are our skilled laborers, and teachers, and firemen.

MR. SAVIO: They're leaving.

VICE-CHAIR U'U-HODGINS: Those...those are the people who are leaving. Your book is entitled "The Affordable Housing Crisis, to Solve it is Move to the Mainland." I don't call it the mainland because I think Member Rawlins-Fernandez says as well, this is my mainland. I never planned on leaving. In my house, we call that America. But I do appreciate your book. It's a very interesting book. But can you please answer how much--unless I missed it, how much government subsidy we would need per unit?

MR. SAVIO: Right now --

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VICE-CHAIR U‘U-HODGINS: If it's --

MR. SAVIO: -- I don't use --

VICE-CHAIR U‘U-HODGINS: Unless it's . . . *(inaudible)*. . . --

MR. SAVIO: -- government. I don't use government --

VICE-CHAIR U‘U-HODGINS: Okay.

MR. SAVIO: -- subsidies because it's too chaotic, too time-consuming, too expensive.

VICE-CHAIR U‘U-HODGINS: . . . *(inaudible)*. . .

MR. SAVIO: If you could...if you came up with programs where it's kind of pick it off the shelf and do it, I would use them and I could reduce my prices further. Right now, all of my price reductions are in how I structure the project, and how I shift costs to the seller or to the County, and I give the people the lowest possible price. These programs, if they --

VICE-CHAIR U‘U-HODGINS: Okay.

MR. SAVIO: -- become permanent State programs, you will find hundreds of gentlemen like me, or even women, who will come into real estate and do projects because you have a structure, and you've taken the risk out of the equation. Architects, engineers, small contractors will all start building on the affordable market.

VICE-CHAIR U‘U-HODGINS: Thank you. Chair, can I please have Mrs. Schatz answer my question as well? And then I heard my bell. Thank you.

MS. SCHATZ: Hi. Well, I was curious, Peter, if...since you're doing it with the County, are you getting free land?

MR. SAVIO: No. On the plantation camp, we got a good price. I mean, they sold it what it was worth, which was \$2 million, and then we were able to add the additional lots. So, I ended up with a land cost of only \$15,000 per house, so that helped.

MS. SCHATZ: So...so, that's \$15,000 per unit. If we were able to get something like that with land that we would be looking at, or even agricultural land that we could do a 201H on, would be phenomenal.

MR. SAVIO: Yeah.

MS. SCHATZ: So, in...in essence, you know, that would be a form of subsidy because that land price would be affordable enough to...to actually make a project work. I do want to say that, you know, subsidies are really critical to affordable housing. I think the State, the County, the Federal Government has never provided enough subsidies to

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push our affordable housing supply. A healthy market does have a substantial amount of subsidies that are pushed out there. At the end of the day, we all do our projects with different structures. We have different investors, we have different metrics that we have to meet, and so you can't use one particular model to fit every single developer's, you know, project and structure. And so, you kind of have to build flexibility in your regulatory environment to be able to allow, you know, the really low-end affordable stuff that gets highly Federally-subsidized, all the way up to the market-rate stuff, and it has to meet all levels to have a healthy housing market.

MR. SAVIO: Oh. I just want to add in, my projects, I have partners, but they're the buyers. I don't bring in outside partners because it's an unnecessary expense. It just adds to the cost.

CHAIR KAMA: Member U'u-Hodgins, did you get your question answered?

VICE-CHAIR U'U-HODGINS: I...I did. Thank you so much, Chair.

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

COUNCILMEMBER SINENCI: Mahalo, Chair. So, just to--for clarification, Mr. Savio, so you're selling your lot...your...your units at 450,000, so that means the average of it costs 800,000 to build, you're looking at another 350,000 in government subsidies, and as Ms. Schatz had said, even including the acquisition of the properties, yeah?

MR. SAVIO: Oh, I apologize if that's what you understood. That's not what I said. The house will --

COUNCILMEMBER SINENCI: Oh.

MR. SAVIO: -- cost me 450,000. I could sell it --

COUNCILMEMBER SINENCI: Oh.

MR. SAVIO: -- for 850, but I'm not. I'm going to sell it for 450,000.

COUNCILMEMBER SINENCI: But you're...but you're building it at 800,000?

MR. SAVIO: No. The cost of the house --

COUNCILMEMBER SINENCI: Oh.

MR. SAVIO: -- comes out to --

COUNCILMEMBER SINENCI: The cost --

MR. SAVIO: -- 450,000.

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COUNCILMEMBER SINENCI: And you're selling it at that?

MR. SAVIO: We're going to--well, I'm a cost-plus developer. So, I sell it whatever it cost plus 5 percent.

COUNCILMEMBER SINENCI: Got it. Okay. And then you also mentioned that we also need the million-dollar homes. So, if...if our union workers are also working on the luxury-home market, are you...do you also agree that they should--and...and they're coming to us for infrastructure...monies for...for infrastructure, you--you agree then with keeping half, 50 percent, affordable if...if they're wanting exemptions from...from the County?

MR. SAVIO: Again, if you're going to build a million-dollar house and they want a government subsidy, I tell them to jump in the lake. Let them build the million-dollar house and give you \$100,000 in fees or whatever it is, take that money and build affordable. When you combine market and affordable, all you do is raise the price of the affordable unit because it gets lost in the shuffle.

COUNCILMEMBER SINENCI: Got it. Got it. Okay. So...so, that said, are we...and you did mention that the smaller contractor would jump into the affordable housing market. So, you're looking at--and...and we do see some nonprofit builders, like Ikaika 'Ohana, that are addressing those affordable housing units, particularly the...the affordable rentals. So, that...that is another option, is to keep the small contractors in the affordable housing market?

MR. SAVIO: Yeah. If you go back to 1960, you'll find almost every contractor, every engineering firm, every legal firm, every banker, every dentist, every doctor was in a hui, building some subdivision, some building. Local people, we were building like crazy, and we were able to do it. And we...we were building, I think, 20 percent . . .*(timer sounds)*. . . of our inventory every year. We--in the '60s --

COUNCILMEMBER SINENCI: Yeah.

MR. SAVIO: -- we were a powerhouse. We were meeting our housing needs. Then we crashed and burned. We have to go back to the '60s.

COUNCILMEMBER SINENCI: Yeah. My dad built maybe about ten homes here in East Maui, and --

MR. SAVIO: Yeah.

COUNCILMEMBER SINENCI: -- he did it while having a full-time job. So --

MR. SAVIO: Yeah.

COUNCILMEMBER SINENCI: -- appreciate that. Thank you. Thank you, Chair.

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CHAIR KAMA: You're welcome. Thank you. So, we're going to continue, and what we're going to do is we're going to go to Chair Lee.

COUNCILMEMBER LEE: Yes. Is Director Mitchell still on the call?

CHAIR KAMA: I don't think so.

COUNCILMEMBER LEE: Oh, okay. It's too bad because he could have explained that the County Housing Department does have a program with Section 8 that allows for homeownership. We've been doing that for years, a very long time. And then, too, the Farmers Home Loan is something that is being utilized on Maui, and that...I know that for a fact because in Mr. Cook--Kihune's project, he has several people--at least a couple of people--who are on that program. So, a lot of the...some of the programs that were mentioned that we don't have or utilize, we are using on Maui. And I did want to get verification from Director Mitchell because we've been doing that for like 30, 40 years. So, who else is on the line then besides Mr. Pereira, and Ms. Schatz, and --

CHAIR KAMA: Ms. Duvauchelle. Ms. Duvauchelle from the --

COUNCILMEMBER LEE: Oh, Ms. Duvauchelle?

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: Okay. Maybe you can verify what I just said about your Hali'imaile project. You do have people who have bought into the project that secured Farmers Home Loans, right? Okay. Maybe she's not on.

MR. KRUEGER: No.

CHAIR KAMA: She's on.

MR. KRUEGER: Ms. Duvauchelle, we have you unmuted on our end, but you'll need to unmute --

MS. DUVAUCHELLE: Oh.

MR. KRUEGER: -- on your end.

MS. DUVAUCHELLE: Okay. All right. Thank you, Council. I'll...I will...I'll throw that question to Mr. Kihune. He works on that end. I do believe you're correct. I also know that over the years, we have had other clients utilize the USDA program also.

CHAIR KAMA: Mr. Kihune? *(pause)*

COUNCILMEMBER LEE: Do you see him? I...I don't see him.

MR. KRUEGER: Oh, apologies.

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CHAIR KAMA: I see --

MR. KRUEGER: It's...it's the same situation. Mr. Kihune, you're...you're unmuted on our end, but you'll need to unmute on your end.

MR. KIHUNE: Okay. Okay. Sorry. You hear me now?

CHAIR KAMA: We can hear you. Yep.

MR. KIHUNE: Okay. Thank you. Sorry. Yeah, we do have quite...I would say at least a handful of our first workforce housing buyers that utilized the USDA Home Loan application process, and it went very well. It takes a little longer than normal, but it does benefit them quite a bit, especially with the interest rate reduction. And then we've had quite a few...actually, another handful that were using VA loans, which...again, is just a longer process, but it really benefits the...the homeowners, again, with their interest rate reduction. So...and then we've had a lot of...most of our buyers...in fact, all of them are Federally-backed Government loans on the workforce side.

COUNCILMEMBER LEE: Okay. Mr. Kihune, I hate to put you on the spot, but the profit margin was brought up. I mean, do you...do you make a killing on all of these affordable homes or regular homes?

MR. KIHUNE: I don't make really . . . *(timer sounds)* . . . any money on the affordable homes. I'm going to be dead serious with you. The market side pays for the workforce. That's the only reason why we originally wanted to do that project as 100-percent workforce, and then we hit COVID, and then we seen the world change, so we ended up having to go back to a 50-50, which made sure that at the end of the day, we're not in the red. And it's not easy because we put in all our own water source, all our own wastewater so that we could move this project along...because it was very important for us to get our...get our community into homes. That was the key for us. You know, that's what we focused on. So, we would have loved to have done it at 100 percent, but based on where we were at that time--and even now, it's even harder now--but, yeah, no. I like to take a vacation once a year, so that's where my money goes. . . *(laughing)* . . .

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

CHAIR KAMA: So, Members, I was just told that Mr. Mitchell is online, so he's available should you need him. And look at that. So, it's up to you, Member Paltin.

COUNCILMEMBER PALTIN: Thank you. My question was going to be for Mr. Savio. In your \$450,000 thing, is it only if you're building to scale, like in a big project? Because we got a lot of folk...I mean, so I live in Lāhainā. They got the lot. They got like a small insurance. They got the infrastructure. Could you build for like one family, 450,000, rebuild their home, or would it be like five families in like...around Lāhainā, or how...how does that work? Is it only if it's standard...

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MR. SAVIO: Yeah. In...in our 450,000 home, it includes the land. Our land cost is \$100,000, so the house would be 350 to build, okay? That same lot, if it was not in our project, would sell for 4, 500,000. So, a lot of it is in the land cost. And you'll have to remember earlier, I said our market has been distorted for 60 years, so all of our land costs are distorted. Everything about our market is distorted.

COUNCILMEMBER PALTIN: So, these...like the homeowners in Lāhainā, they already own their land. I mean --

MR. SAVIO: Right.

COUNCILMEMBER PALTIN: -- they got a mortgage that --

MR. SAVIO: They...they should be able to build for less than a million dollars. I saw an article, they said they were building for a million. You should be able to build for less. The problem, you may not have the workers here on Maui, so they have to bring them in from O'ahu or from the mainland, so you have additional cost. Again, that's where maybe if you have some factory-built or some prefabs, you can help solve that problem. But you should...you...you know, if the County can respond and help, they should be able to build those homes so they would be affordable.

COUNCILMEMBER PALTIN: And what do you mean by the County respond and help?

MR. SAVIO: Well, if...if...if you identify the problem for the million dollars as the lack of workforce, then working with the contractors on Honolulu--put the permanent workers village up here or something so they don't have to fly the workers back and forth--maybe they'd be willing do something like that. Bringing in workers from the mainland, if we have to, to meet our need. I don't know if--again, buying product in bulk so that the lumber comes in right, and you don't have to ship it to O'ahu then ship it here, or whatever. I mean, to...to me, that's the first thing you would have done, is set up a task force to say, how do we squeeze every penny possible out of this deal so our people get the lowest possible price?

COUNCILMEMBER PALTIN: When...when you do your projects, do you pay prevailing wages?

MR. SAVIO: Yes. Well, sometimes, we use Habitat for Humanity to build or something because it's a different situation. But ours--as a rule, we...we'll...I, as a lot of times, do not build. I have the people go out and hire contractors to build. Because if I act as the builder, I have to add 5 percent. So, I sell the lot, get my 5 percent, I'll have five or six contractors who have offered to build the house, I let the people deal directly, and then we hire someone that will supervise the construction and make sure the house gets built so they don't have to deal with the headaches, but then I don't have to charge an . . .(timer sounds). . . extra 15 or \$20,000 on that value.

COUNCILMEMBER PALTIN: So...so, your title is...like your...your role is construction supervisor kind of?

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MR. SAVIO: Well, I...I'm a developer who prefers to sell at the absolute lowest price. And part of the program was, I can sell the land, and then I can have the people build their homes. And giving them the supervision or construction management, it's actually cheaper for them.

COUNCILMEMBER PALTIN: Okay. Thank you.

CHAIR KAMA: Thank you. Mr. Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. Ms. Schatz brought up an interesting point of how we, the County, can help with the process that they have to go through. Just to let you know, we...you know, we funded back...a few years back the dev...the...we created the division within the Department of Housing called the Housing and Community Division. That's...that's supposed to help the process move along the request for proposals, all of the things that you folks would probably be interested in learn...you know, working with the County on. So, hopefully, that division is healthy, funded...and staffed, and you can reach out to them if...if you...if that's the case, you need help navigating. Because I understand, it's a burden. So, I guess basically, this question is for everyone here on the call, and if you just want to speak to it, I'm...I'm just going to leave it open for my round. But basically, do you folks look at the rebuilding of Lāhainā as opportunity? Can you help us with those...these folks who are going...we need everything...they need everything over there, right? So, I know the infrastructure is there, but it's been damaged, and the process is...is burdens--we--I mean, you know the stories. So, where...do you guys think you have a role in the rebuild?

MR. SAVIO: Was that me?

CHAIR KAMA: It's...it's...

MR. SAVIO: Oh, okay. As a rule, I don't do individual...I do total projects, but I do have what I call a developers in training program. And two or three of my developer trainees are here on Maui, and I know they're willing to jump in and use the concept I'm talking about and try to build. I'll have them contact whoever you want to have them contact, and give them as much help as I can.

CHAIR KAMA: They can contact the Committee, Mr. Savio.

MR. SAVIO: Excuse me?

CHAIR KAMA: They can contact the Committee...HLU Committee.

MR. SAVIO: Okay.

MS. DUVAUCHELLE: Can you hear me?

CHAIR KAMA: Yes.

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MS. DUVAUCHELLE: Okay. Council...Councilmember Johnson, thank you guys. We...we are slowly but surely reaching out and helping quite a few of the Lāhainā families. I have a project manager that's dedicated to Lāhainā. We just started our first rebuild this week. We'll be pouring their foundation on Thursday. We're really excited. We had a groundbreaking and a blessing at another client's property on Saturday that was very, very meaningful and touching. We have been...you know, when Mr. Savio makes a remark that the cost is the cost, we are working diligently with all of our suppliers, local contractors, subcontractors, to get special rates, interest in buying out the Lāhainā rebuilds. And I think so far, we're doing a really good job at it. Is it higher than I would like? Yes, and then what we've seen, but, you know, concrete just went up 30 percent. I mean, we are doing a . . . *(timer sounds)* . . . complete pass-through on all of those costs. So, we're working slowly but surely to try to help as much as we can.

COUNCILMEMBER JOHNSON: Thank you. Thank you, Chair. My time's up.

CHAIR KAMA: Okay. Thank you. So, let's continue with Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. So, when we were first granted the GET surcharge as a County, one of the bills that I--well, conditions I tried to add was a requirement to have developers that receive benefit and funding from the GET surcharge to open their books, you know, so that we could have a better understanding of what the profit is. Because the public perception of developers is that there's a lot of profit to be made. And that's part of the reason the public is...is not...is generally not supportive of infrastructure being paid by public taxpayer dollars, especially when there will be market-rate or luxury-development houses in that project, that if you're going to be making...you know, maximizing profit from that project, that that developer should bear the cost of the infrastructure that will benefit that project. That...that requirement did not make it into the...our...our Code because we weren't able to get the language just right, and there was a deadline. I...to clarify, I didn't say that developers make a killing. That's...that is --

UNIDENTIFIED SPEAKER: Oh.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- that description is very subjective. I repeated what Mr. Savio said, that he charges 5 percent. Because my understanding is that developers on...in...on Maui generally charge 11 percent, and...and what that means is different per project depending on what type of project it is. And so, I was just comparing a 5 percent to 11 percent, and that is objective, and not a subjective description of making a killing, whatever that means. So, I...I heard Mr. Pereira ask the question about infrastructure, and how Mr. Savio is able to get around or have the...the projects, the housing still be affordable with the cost of infrastructure. And Mr. Pereira, if I am not repeating that question correctly, please correct me. And so, I guess my...my...my point is, or my question is, have you seen more support, more public support, when a housing project is affordable, and for the purpose of housing our residents to cover the cost . . . *(timer sounds)* . . . of the off-site infrastructure? Mr. Savio.

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MR. SAVIO: As a general rule, on my projects, I refuse to pay for anything off-site. If I'm going to sell this pretty much at cost, I expect the County to pick up the cost to get whatever has to be there, and if they--and it all started...when I first started, I said, I do a project, I give people exactly what it costs. If the County wants a streetlight, I'm going to add \$5,000 per house. You want us to put in a park? I'm going to add \$10,000 per house, whatever the cost is, and I'm going to tell them to call up their city council and complain if the price is too high. So, I...I refuse to pay for infrastructure other than on-site. Because to me, that's the...that's the contribution the County makes for me to build these homes at cost.

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

CHAIR KAMA: Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Sorry, Chair.

CHAIR KAMA: Yes?

COUNCILMEMBER RAWLINS-FERNANDEZ: Quick. For Sunshine Law disclosure, two minors in the house, and that's who I'm talking to.

CHAIR KAMA: Oh.

COUNCILMEMBER RAWLINS-FERNANDEZ: They just got home from school.

CHAIR KAMA: I thought you were talking to us. Okay. No, I...I saw. Thank you. So, let's continue with Mr. Cook.

COUNCILMEMBER COOK: I guess it's for everybody, but that's pretty hard for people to do, so I'll ask Mr. Carnicelli. The subject of being able to provide the quantity of workforce housing that we need, what is our current status of available appropriately-zoned land for single-family and multifamily?

MR. CARNICELLI: I...I would venture to guess it's...it's very, very little. You know, if you just say, okay, it's fully entitled to build "X," that's why, you know, there is the 201Hs that happen, is because it's...the...the entitlements don't line up. And so, then therefore, that just adds cost again. It's...it's everything that...you know, I don't think that as much as...let's say, you know, Ms. Schatz and Mr. Savio say they disagree with each other. I think it's nuance. Government is pretty transparent about what they like and what they don't like. If the government wants something, they make it easy, or they lower taxes. If they don't like something, they raise taxes on it, or they make it really hard. So, the government's transparent. It's nearly impossible to build affordable housing, so the government's telling us that they don't want it. You know, all these obstacles. We're here talking about deed restrictions and...and...and the qualifications that developers have to go through in order to build affordable housing. I...I think the...the theme here today that I'm hearing is that it's broke, and it needs to be fixed. So, going back to your question as far as, you know, what's fully-entitled land, that's

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something that the County could do. Start picking stuff, fully entitle it, get it ready, here's what we want, and now the government's doing is they're saying, okay, we're going to make it easy. We're incentivizing. We're talking about all the obstacles, what can the government do to incentivize people like Ms. Schatz, and Mr. Savio, and, you know, Mr. Kihune, and myself to want to do that. I think that that's...that's where we're at, so thank you.

COUNCILMEMBER COOK: Thank you for that. So, I'm getting this. Basically, the government, without really spending any money, has a couple of opportunities to be able to support, not subsidize, the building of these homes and businesses that we need, which is the entitlement to maybe meet the community plans, but basically broad-based entitlement so that that takes out the time, takes out the risk, and then the permitting and review process, getting it to be streamlined so that we have rules, but they're not hurdles. So, those two things would significantly increase the ability for people who know how to build to build, and wouldn't necessarily be a subsidy?

MR. CARNICELLI: Yes. I mean, in...in a...in phrase, comprehensive rezoning. . . .(timer sounds). . . You know, just even as an example, the South Maui Community Plan is going to be coming in front of you guys, you know, in...in months. You have the opportunity to take--okay, here's the South Maui Community Plan, we're going to comprehensively rezone as per the plan, you guys could even do a comprehensive EIS, and now suddenly, what--you know, say, Peter's talking about as far as like, hey, listen, we need--now we can just go, and...and...and the government's out of the way. It drops costs tremendously. It drops time, which is a huge cost, tremendously to do that, just as one example. It doesn't cost the County a dime to do that.

COUNCILMEMBER COOK: Thank you, sir. Thank you, Chair.

CHAIR KAMA: You're welcome. I'm going to go on to Member Sinenci, and then we'll take our afternoon break.

COUNCILMEMBER SINENCI: Mahalo, Chair. Is Director Mitchell on? I just wanted his comments on if the Department can...if he's listening in, if the Department is open to maybe, you know, instituting some of these practices to get more affordable housing done?

CHAIR KAMA: Mr. Mitchell?

MR. KRUEGER: Chair, apologies.

CHAIR KAMA: Yeah?

MR. KRUEGER: Mr. Mitchell does not appear to be on currently at the moment.

CHAIR KAMA: Okay. Sorry, he had to leave again.

COUNCILMEMBER SINENCI: Oh, okay.

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CHAIR KAMA: We'll try later again.

COUNCILMEMBER SINENCI: Right. Okay.

CHAIR KAMA: Oh, he's here?

COUNCILMEMBER SINENCI: That's all my questions.

CHAIR KAMA: He's here.

COUNCILMEMBER SINENCI: Oh, he's here? Okay. *(pause)*

CHAIR KAMA: Do you want --

COUNCILMEMBER SINENCI: Hi, Remi. Did you hear the...yeah, it's just...Remi, have you been listening to some of our conversation, and if the Department can institute some of these practices in...in getting more affordable housing built?

MR. MITCHELL: Thank you for the question, Member Sinenci. No, I wasn't listening, but I just heard that I was requested, so I jumped on the line. Can you...

COUNCILMEMBER SINENCI: Some of --

MR. MITCHELL: Could someone let me know what we're talking about? And then I will respond. Thank you.

COUNCILMEMBER SINENCI: Yeah. Some of it is, again, possibly maybe just using the Affordable Housing Fund to subsidize some of the project infrastructure, but also acquisition of properties. And Mr. Carnicelli also mentioned if we could do changing of zoning during the community plan process, if those are some...some things that we can help to...help get --

MR. MITCHELL: Thank you for the clarification.

COUNCILMEMBER SINENCI: Yes.

MR. MITCHELL: And I do know that the Department of Planning is looking into how to change zoning along with the community plan process. I know we discussed that --

COUNCILMEMBER SINENCI: Yes.

MR. MITCHELL: -- just a few days ago. I think it was while I was at the State of the County Address with Director Blystone. And then yes, the Affordable Housing Funds can be used for infrastructure, and I think I heard you say acquiring of...of properties. The...the thing that I'd like us to...the County to consider exploring a little more is instead of just using the Affordable Housing Fund as a cash fund to underwrite

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infrastructure or projects, figure out how to effectively use it to do the debt service on bond financing so that you aren't, as I say, cannibalizing General Fund revenues that are put in the Affordable Housing Fund, but instead using it to pay for bond-financed infrastructure or projects...the debt service requirement, but using investor money to actually underwrite the cost, to pay for the cost of the infrastructure and the acquisition. I haven't had a chance to sit down with our Finance Department and Managing Director's Office to really talk about this, but while we can certainly use the Affordable Housing Funds in the way that you're discussing, there are other ways we can use the funds so that we aren't constantly depleting it, but using it more for debt servicing, and making sure we're using it as a fund where the money recycles back into it. In other words, you're loaning more than granting more is the other way of looking at it too. . . .(timer sounds) . . .

COUNCILMEMBER SINENCI: Thank you, Director Mitchell. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Sinenci. Members, it is now 3:00, and we're going to take our afternoon break until--you guys were really good, you guys came back on time--so 3:15. Reconvene at 3:15. . . .(gavel) . . .

RECESS: 3:00 p.m.

RECONVENE: 3:19 p.m.

CHAIR KAMA: . . .(gavel) . . . Will the Housing and Land Use Committee meeting of March 10th reconvene. It is now 3:19 p.m. And I think...oh, yes. So, we--I guess we're going to start right back from the beginning. So, we're going to go back to Chair Lee. Are you back at your desk? I don't see her. I know Member Sinenci...I mean, Member Johnson had to leave to get on his flight...I mean, his ferry to go home. So, that left us with eight, right? Okay. So, let's just...when Chair Lee comes in--oh, and that left us with seven because Member Sugimura's excused for today. Okay. So, we should have seven, but I only see six. One, two, three, four, five, six. Yeah. Okay. So, Chair Lee. So, let's continue with Member Paltin. Questions?

COUNCILMEMBER PALTIN: Thank you. For Mr. Savio, the last time you had said we needed to tighten it up a little bit, you said like two to three years working in Hawai'i, own no other properties. What was the 20-percent equity?

MR. SAVIO: A lot...a lot of our problems right now...sorry. A lot of our problem right now is main...mainland retirees come in, buy a house, and pay cash. So, you want an asset restriction. You can't have more than 20 percent. That eliminates the mainland retirees with a lot of money. Now, this is not just for the down payment, this is your total assets cannot exceed 20 percent. And for most local families, if they don't own real estate, they're living paycheck to paycheck, so it's not a problem.

COUNCILMEMBER PALTIN: And then you said you wanted to tighten up with some more. What were the other things that we could use to tighten it up?

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MR. SAVIO: Well, you...you know, you...you talked about having it where it's built for doctors or--you know, you could do that is what--this project's being built for medical or whatever. You can do those kinds of things. But the big ones, to me, are your resident, a taxpayer for two or three years--because the lender's going to require that. They're going to require you to be employed for two to three years to have a tax basis to qualify. You know, then, of course, you have the down payment, how much equity you have, you own no other real estate. To me, those are the biggies that come to mind. I'm sure if I gave a chance to think about it, I'll come up with 20 more, but...the...the purpose is to make sure the local guys get first crack at it.

COUNCILMEMBER PALTIN: And then to keep it from becoming speculative--so, like, we...West Maui, we have a lot of people that are a little bit transient, and so, like, say they buy this house, they want to move back to the continent to be closer to their family, whatever, how do we keep it from becoming that speculative --

MR. SAVIO: It's --

COUNCILMEMBER PALTIN: -- investment?

MR. SAVIO: Yeah. To...to me, this is owner-occupant only. If you're...if you're going to get transferred in the military or something, there'd be an exemption for you. If you had to go to the mainland to take care of your ill parents, there'd be an exemption for you. But that's what this trust or entity would do. They'd be the ones you go to and say, here's my problem, this is what I need, and they have the authority to grant it. You...you don't want them to have to go to a Council meeting or...no, you got to have--decisions can be made like a business. Okay, we'll --

COUNCILMEMBER PALTIN: So, owner-occupant --

MR. SAVIO: -- give you an exemption.

COUNCILMEMBER PALTIN: -- in perpetuity...

MR. SAVIO: I...I...I prefer zoning that's like owner-occupant, residential, 100 percent medium. So, it's always in that range. But this...these...the projects in my world would be owner-occupant, would be forever, would be tied to wages to keep the price affordable--that's...that's the important part--and the fact you tied it to wages discourages the mainland buyer because it's no longer tied to the appreciation of the market. So, everything you've done has discouraged mainland buyers or outside buyers from buying. And if they do buy, well, they come in for their lifetime, but . . .(timer sounds). . . then once they sell it, it goes back to affordable or stays affordable.

COUNCILMEMBER PALTIN: Okay. Thank you. I heard the bell. I just am not sure how we'd tie it to wages. Oh.

MR. SAVIO: Yeah. You do that right now with most of your government projects where they have the medium [sic] income.

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COUNCILMEMBER PALTIN: Oh, median.

MR. SAVIO: Except you don't want to use the government --

CHAIR KAMA: Yeah, not their --

MR. SAVIO: -- schedule, you...you...you use your own records in the State about our wages went up 10 percent, the price goes up 10 percent. Our wages were flat, the price is flat.

COUNCILMEMBER PALTIN: Got it. Thank you. Oh, Mr. Carnicelli.

MR. CARNICELLI: Chair, I know there's a bell, but if...if I could just is...it's what we did...we agreed to with Kuikahi Village, is its owner-occupied in perpetuity, but we put the onus on the homeowners' association to police that so it wasn't like, you know, some...we have to set up some government agency in order do that, right? It was...it was sort of an internal policing within themselves.

CHAIR KAMA: Okay. We're going to continue. Member Johnson had to leave, so we're going to continue with Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Sorry, I wasn't prepared. . . *(laughing)*. . . I thought I just went before recess. I...I'll pass for now.

CHAIR KAMA: Okay. Very good. Member Cook.

COUNCILMEMBER COOK: Thank you, Chair. We have a lot of...this is, I guess, for Mr. Carnicelli, Mr. Savio, Ms. Schatz. Kahului has industrial...Light Industrial zoned property that is basically empty because a lot of it has moved off into other areas, and I look to that as basically being...well, one, my desire not to go urban sprawl, and pick up more ag land and stuff. What is your opinion, for...I guess Mr. Carnicelli and Mr. Savio, and...if we have time, of what would you envision Kahului maximizing the utility of that Light Industrial land?

UNIDENTIFIED SPEAKER: Oh, go ahead.

MR. SAVIO: Okay. I'm the...I'm the worst person to ask because I'm not familiar with Maui in terms of zoning and stuff, but what I would recommend is you think in terms of if you do come up with a unified housing policy, and you're able to build 10 or 20,000 homes to bring your people back from the mainland and keep them here, and then you've also created more jobs, you're going to need some industrial zoning. So, if you're going to take it away, don't take it down to the bone because then, as you start to build up this new energy in building homes, you're not going to have a place for the plumbers, the electricians, the carpenters and stuff...because you're going to create a construction boom if you do what we're talking about.

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COUNCILMEMBER COOK: Thank...thank you. I just want to weigh in, acknowledging that that's one of the unique things that we have in Kahului, is because there has been a substantial increase in Light Industrial properties by the airport and other areas. So, it's unique because...that's why it's vacant because there's other places for people to be. But Mr. Carnicelli?

MR. CARNICELLI: I...I think that there's an opportunity, is...what you're pointing to is there's an opportunity because if we start talking about all the buzzwords--smart growth, infill, missing middle, all of those things--it's a lot of the stuff that the Planning Department's actually working on right now. You know, it makes sense. There's infrastructure in place. How can we take advantage of current infrastructure that's already there in underutilized properties? Yeah, that's part of what smart growth is, is taking underutilized properties and finding out what is their highest and best use. Yeah, it makes perfect sense to do that.

COUNCILMEMBER COOK: Chair, if I have more time? I mean, the bell didn't ring yet.

CHAIR KAMA: Yeah. Go.

COUNCILMEMBER COOK: Mrs. Schatz, are you on?

MS. SCHATZ: Yes. Yes.

COUNCILMEMBER COOK: You've done some rather large projects on Maui, and so you...you know, you've got experience. Are you familiar with Kahului, the Light Industrial...so, the old A&B lumberyard, Amfac lumberyard, those things?

MS. SCHATZ: Yeah.

COUNCILMEMBER COOK: Do you --

MS. SCHATZ: Yeah, I...I would --

COUNCILMEMBER COOK: What's your --

MS. SCHATZ: Oh, go ahead. Sorry.

COUNCILMEMBER COOK: No, what's your feelings?

MS. SCHATZ: Yeah, I would actually agree with Mr. Carnicelli about that. I think that one way you guys could look . . . *(timer sounds)*. . . at doing this is providing an overlay zoning that increases the types of uses on that property. Since it's infill, and it's near infrastructure, the potential for it to provide housing for the community is really ideal. Because it's also next to convenient services, which, by the way, when you put everything together--convenient services, jobs, and...and...and retail, and housing together--you get less people driving around in cars, creating a ton of traffic going long distances. So, there's many, many benefits to trying to open up that zoning for other

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additional uses. And providing mixed-use may be the ideal benefit down there, not just for residential, but some form of mixed-use zoning down there would be perfect.

COUNCILMEMBER COOK: So, my last question to you would be, do you think there's capital available for projects like that?

MS. SCHATZ: Yes. As long as the zoning is there, and I think that one wouldn't necessarily need to go through a 201H process, you can attract capital to do that type of project. Maui is really tough on the entitlement side, and that's what normally scares most investors away. You have to really do a good story, talk a good story to get outside investment money in for that type of project, but if you guys can put that zoning in, that would be a big hurdle that you would take away from...from the process, just to make it faster to build.

COUNCILMEMBER COOK: Thank you very much. Thank all three of you. Okay, Chair. Mahalo for the extra time.

CHAIR KAMA: You're welcome. So, we're going to circle back...oh, Mr. Pereira, is your hand up?

MR. PEREIRA: Yeah. I would just add to Councilmember Cook's question. I would think for that type of zoning, just dovetailing on what Linda had to say, so think about increased density in those type situations. The more density, the...the easier it would be for projects to pencil out.

CHAIR KAMA: Um-hum. Thank you. So, we're going to circle back to Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. Mahalo for coming back to me. Okay. So, before the recess, I was talking about the...the percentage that developers charge on the projects, and Mr. Savio said that he charges 5 percent. I was hoping to ask each developer like what they have charged on the different projects that they've done on Maui.

MS. SCHATZ: Yeah, I can answer that. So, in projects that I have done across different islands, the...the developer fee has ranged from 2-1/2 to 5 percent, actually. And on top of that, we are incentivized to save. So, if we can find a better way to design the home, or retail space, or whatever it is, and we save money, we are actually incentivized financially to do that. So, we get a little benefit from the savings, and so that makes everybody on the project in alignment. So, about 2-1/2 to 5, depending on the project and the investor.

MR. CARNICELLI: I would concur with those exact same numbers when it comes on the affordable housing side. It's just...I mean, it's hard enough to make things pencil as it is, and to, say, insert...adding developer fees, and management fees, and, you know, quote, unquote, "profit on top," it just...if you're in the affordable housing game, that's not why you're doing it, you know? It is--if you're going to go build a custom home in Kapalua, you're probably charging 11 percent. But if you're doing...if you're doing

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workforce housing, if you're affordable housing--although I don't even know what the Kapalua guys do because that's not my world--but everyone that I know in our, you know, circle is...is in that 2-1/2 to 5 percent.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mr. Carnicelli, and so the housing projects that you've brought before us recently are mixed, right? So, 2.96, or 201H, or...and so, it's only a percentage, it's not 100-percent affordable. So, what...what is the percentage on the market side?

MR. CARNICELLI: No, the...the--anything that...that I've brought before you has been 2.97. It's been 100-percent affordable. I...I haven't...haven't brought anything that's mixed of affordable and market rate together. It's...it's 100-percent affordable.

COUNCILMEMBER RAWLINS-FERNANDEZ: The Kuahelani [*sic*] Village...

MR. CARNICELLI: Kuikahi Village is 100...100 percent --

COUNCILMEMBER RAWLINS-FERNANDEZ: Kuikahi.

MR. CARNICELLI: Yeah, Kuikahi Village is...it's 202 units. It's mixed-use, there's seven different home types, but it's not mixed affordable and market rate, it's 100-percent affordable. Because we used the 2.97--the Maui County Code 2.97--we didn't do 201H. So, we did Maui County Code 2.97, which has to be 100-percent affordable, just by Code.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo. And then any of the other developers want to chime in?

MR. KIHUNE: I wouldn't--this is Howard Kihune speaking. I wouldn't...I would...I . . . (*timer sounds*) . . . would agree. It's about 2-1/2 to 4 percent most of the time. You know, what eats our...what eats our costs or our...our bottom line is interest, what we have to pay on construction loans. And with the interest rates the way they are right now, we're paying almost more than double what we have normally been paying. So, that gets eaten away. Because we...we work on a...we work backwards. So, we know what the project's going to generate, and then we have to work backwards, and at the end of the day, that thing's got to be in the black. If not, it doesn't work. So, it's about 2-1/2 percent. It can get upwards of 3-1/2 to 4 if we're lucky.

COUNCILMEMBER RAWLINS-FERNANDEZ: On Kilo...Kilohana Makai, what was that?

MR. KIHUNE: They...yeah, same thing.

COUNCILMEMBER RAWLINS-FERNANDEZ: 2...2.96?

MR. KIHUNE: Our costs have gone up...yeah, our costs have gone up almost 25 percent already.

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COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. I...I heard the bell. Mahalo, Chair.

MR. KIHUNE: Yeah.

CHAIR KAMA: But I think we were waiting for Ms. Duvauchelle to respond to your question.

MS. DUVAUCHELLE: Thank you. I'm still waiting. . . .*(laughing)*. . . I wish I had an answer. I agree. I...I would say more like 2-1/2 percent. At this point, quite honestly, on...on kind of what we have worked on and developed so far, it's...it's been a push.

CHAIR KAMA: Thank you. Yep. Okay. Those are all the...the resource people who actually do developments. Okay. Yes, we're getting to you, Mr. Cook, by all means.

COUNCILMEMBER COOK: . . .*(inaudible)*. . .

CHAIR KAMA: Because we are going this way, right? And you're...you follow...

VICE-CHAIR U'U-HODGINS: Chair, can you see me?

COUNCILMEMBER COOK: Yeah.

CHAIR KAMA: Yes, I can.

VICE-CHAIR U'U-HODGINS: This would be --

CHAIR KAMA: Okay.

COUNCILMEMBER COOK: I was trying to see if this was Nohe's turn.

VICE-CHAIR U'U-HODGINS: Okay. Great. I haven't --

CHAIR KAMA: Okay.

VICE-CHAIR U'U-HODGINS: I think we've --

CHAIR KAMA: Let's go your turn.

VICE-CHAIR U'U-HODGINS: I think we've missed my turn a few times.

CHAIR KAMA: Yeah.

VICE-CHAIR U'U-HODGINS: Okay. I would like to add something Mrs. Schatz said earlier about our Housing Coordinator. I appreciate that comment because this Council actually agreed with the Housing Coordinator that I had last year. I think we're still waiting to see that position come to fruition, but to have somebody walk through the projects or a County system would hopefully help our home providers kind of eat through that time because time is money, and ultimately, it gets passed onto the

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homebuyer. So, it reminded me to check on that because I...I forgot we did that. . . *(laughing)*. . . But...so, thank you for that. I wanted to ask Mr. Carnicelli a question because he provided us with 60 pages of an AI assessment --

CHAIR KAMA: Yeah.

VICE-CHAIR U‘U-HODGINS: -- on . . . *(laughing)*. . . deed restrictions, which I did appreciate, although I'm only about 30-ish pages in. And it was nice to see kind of the compare and contrast immediately, but I'm wondering if you could give me kind of your thoughts on...if you could do a Cliff Notes for the 60 pages, please.

CHAIR KAMA: Did you --

MR. CARNICELLI: Oh, boy. I...I...I shared that with a friend of mine, and...and he asked me, how many people do you think is going to read it, and I said, other than you and I, no one. I...I think --

VICE-CHAIR U‘U-HODGINS: . . . *(laughing)*. . .

MR. CARNICELLI: -- you...you hit as...what I gleaned from that--and the reason why I did the exercise with AI is, it's 30-something questions, and they were pretty detailed, and it would have taken a lot of brainpower to do that.

VICE-CHAIR U‘U-HODGINS: Yeah.

CHAIR KAMA: Yeah.

MR. CARNICELLI: And it was a...it was an interesting exercise to say, okay, let's get out of our camps of, you know, long deed restrictions, bad or good, or--you know, and just go like, let's just look at this objectively. And I think that that was really the part that I got out of it is, it's trade-offs.

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

MR. CARNICELLI: Is, if you're going to pull this lever over here, what are you giving up to get? You know, Peter talks about longer deed restrictions...okay, we're going to take away equity, you know? It's like we're going to trade equity for deed restrictions, or whatever it would be. And so, I think that that is anyone that wants to weigh in on, you know, longer deed restrictions or not. I mean, it's...it's a pretty fascinating read, not that anybody wants to read through 63 pages of it, but I think that that's the biggest piece of it. The other part too that also was interesting that it came out was, the balance of incentives for as you--I'd like to--rather than using the word developer, right, you said home providers.

VICE-CHAIR U‘U-HODGINS: Yeah.

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MR. CARNICELLI: You know, I think that that's the other part of this too, is...is what is it that we can do to help incentivize. Because you can build the greatest deed restriction, but if it ends up with zero homes being built, then it doesn't matter.

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

MR. CARNICELLI: So, I think that that's...so, it's...it's...it's really just there's not a final conclusion of, okay, this is the right . . .*(timer sounds)*. . . answer. It's just what are they...you know, what are your tradeoffs, and what is it that you want to balance that--you know, the nine of you as the decision makers?

VICE-CHAIR U'U-HODGINS: Yeah. I think 63 pages worth of like no fluff, really. It's...it's not a lot of fluff. Really just proves our point on why this is such an interesting conversation to have. It's...it's a lot of information. Like I said, I'm only about halfway through it, so I'm glad this is a few days' worth of meetings because I then have time to read it more. But I did hear my bell, Chair. Thank you.

CHAIR KAMA: Thank you. So, Member Cook.

COUNCILMEMBER COOK: Thank you, Chair. I wanted to take the liberty of making a statement, and then asking the various developers if I'm on track, or to correct me if I'm mistaken because the...people may misunderstand when you go 2-1/2 to 5 percent on the profit, that the con...that basically, the process of a developer is hiring a variety of trades and skills to basically do all of the work. So, I'm just kind of rattling off. I mean, you've got a surveyor, you've got the civil...civil contractor, which is going to do all the pre...purchasing, installing precast, mass "X," all of the various utilities. You have plumbing contractors, electrical contractors, masonry contractors doing curb and gutter. You have asphalt contractors doing the concrete...and...and miscellaneous concrete. You've got landscape contractors doing irrigation, lighting, fencing, planting, topsoil. So, every one of those contractors has a profit and overhead structured into it. So, for clarification of what it takes to do a subdivision or a development, that hopefully will help put it in perspective because it sounds to a layperson potentially disingenuous [sic] to say, oh, you're only making 2-1/2 or 5 percent. But basically, you're making that off of a multi-million dollar project, and that's your management fee, design fee, risk fee, engineering. Is that somewhat accurate? Does that paint a picture? Because they may be getting between 12 to 20 percent because smaller contractors have to charge a much higher fee for their overhead because they are...there's variety of reasons, but I won't get into the weeds. They're not getting rich, and they're not being greedy, but their cost of doing business is more. Does that resonate at all with the developers here?

MR. SAVIO: Again, I think what you're saying is true, but the...to me, the biggest cost is the interest on the money. And when the County takes a year, or two or three years, that could be up to 45 percent because the...the type of lenders you're dealing with are charging 15 percent, 12 percent, 9 percent. So, every day you delay is costing us a lot of money, okay? So, I...I've structured my projects not to take that. I...I sell it to the people direct. I cut out that step so I can reduce my price accordingly. But I have no

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problem with the small guys making their money. I'm fine with that. It's...it's the County's delay and the interest expense we have to solve.

MR. CARNICELLI: I...I . . . *(timer sounds)*. . . think sometimes we miss the mark when we try to make profit the enemy. But...but is...is...I think if you look at this in the...in the context of money follows risk, right? And...and I think that Peter, Howie, Linda, Sandra can all attest to, there are times that you risk hundreds of thousands of dollars on a maybe this is going to work on a maybe. You're like, okay, we're going to pay for--you...you talked about all the people in the construction part, but what about the engineer, the architect, all of those people before you're even building something? Before you even get your building permits, before you even--you know, like there's a whole other range of things that happen way at the front end, and as Peter said, they're still...you're still paying interest even on that money that you're doing maybe not necessarily knowing if that project's even going to ever work. And I think that the others can speak to it better than I.

MS. SCHATZ: Yeah, we...we put in...\$4 million into our project for 324 apartments without even knowing if we were ever going to get a dime back, and we took that risk on Maui. We took that risk that the Council, you know, would find our project a good project and approve it. But it was money that could have just, poof, disappeared if...if we didn't get our entitlements. And that's the risk that the developer is playing. And so, the...the fee that we get is compensating for that bet that we're making and that money that we have to put in. I mean, we all have to make a living, and we all have big teams we have to support. So, it's just the cost of doing business, and we shouldn't be villainized for it. We are a home provider--I...I love that term--I don't even want to use developer anymore because it's got such a bad rap. It seems to be like we always have to be the villain in...in every story on housing. But you guys need us, and we need you, and we're...we're the provider for housing. And there's...there's got to be a better relationship there where we can understand each other's business a little bit better so that we can get to a good compromise on regulatory environment that'll make us successful.

COUNCILMEMBER COOK: Thank you, all, for that. That's exactly what I had hoped for, was to get some clarity on the deal. And you took it up...no, you took it up another level to just basically bring clarity to all the moving parts. Obviously, I'm coming from a contractor's perspective, which is in midstream, and you just clarified it from what you deal with from the very top. So, thank you, Chair.

CHAIR KAMA: You're welcome, Mr. Cook. So, we're going to go over to Mr. Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. If Director Mitchell is still available, I was...I know, Chair, that tomorrow, we are addressing the CDBG-DR funding in...in BFED, and I was wondering if those funding from the Federal Government for housing in Lāhainā are going to be deed-restricted.

CHAIR KAMA: If you're asking me the question, I don't know that. Maybe that's a question for tomorrow's meeting.

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COUNCILMEMBER SINENCI: Yeah, but maybe if...if Director would know a little bit about it?
I do --

MR. KRUEGER: Chair --

CHAIR KAMA: Is he on?

MR. KRUEGER: -- apologies. Yeah, Mr. Mitchell currently isn't on the line right now.

CHAIR KAMA: Okay. He's not on.

COUNCILMEMBER SINENCI: Thank you. I --

CHAIR KAMA: Okay. Go ahead.

COUNCILMEMBER SINENCI: Chair, I did want to appreciate the discussion. The other Members have asked a lot of my questions, so I appreciate everyone's responses even though I'm not calling on top them. Thank you, Chair.

CHAIR KAMA: You're welcome. So, we're going to go back to Chair Lee.

COUNCILMEMBER LEE: So, Chair, what's your plan to...in making a final decision or bringing this --

CHAIR KAMA: So --

COUNCILMEMBER LEE: -- to a conclusion?

CHAIR KAMA: So, today...today, after you're all finished asking all of your questions, we're going to adjourn...I'm going to defer, and then adjourn, and then we're going to pick up our meeting on Thursday with the...the lenders and the financiers. So, we posted for that Thursday meeting already, so it's probably somewhere in your calendars, but...so, if we don't reach a conclusion on Thursday, then we already...we have the regularly scheduled HLU meeting on the 19th to complete our work if we are ready to come up with a decision.

COUNCILMEMBER LEE: Okay. I have a question for Mr. Carnicelli. Mr. Carnicelli, on a scale of one to ten, where do you put the deed restriction in...in the...in the range of what's most important about achieving affordable housing?

MR. CARNICELLI: As far as level of importance, I mean, it's key. I mean, I would say it's a ten just because without the deed restriction, there's no governor on it at all. But I think it was somebody earlier had stated there's different types of deed restrictions. They're not all created equal. So, I think it depends on what it is that...that we do with those. I would say that one...one part of the deed restriction for me, in our current setup, is at the end of that deed restriction--whether it's 10 years, 15 years, 20 years, whatever you guys decide to do--is that the initial subsidy goes to the homeowner, it doesn't stay in

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the home. So, at the very least, I think that that original subsidy, whatever that is, whatever you want to call it, the developer's subsidy, the discount, whatever it is, should actually stay in the home. So, that's another thing that we can use. But to answer your question directly, I think that it's an absolute key component of that because without it, it just goes to market. And even if we just say, hey, listen, it's...we're going to do owner-occupied, and that's it, you know, whatever version that is, even if it's not tied to equity or appreciation.

COUNCILMEMBER LEE: Okay. So, we are...I think we all agree it's important, but in the whole scheme of things, and the infrastructure, the process itself, all of these are integrated, and is very important. So, again, on a scale of one to ten, I mean, where does this fall? Under or over infrastructure, over or under . . .*(timer sounds)*. . . other things that are needed, financing?

MR. CARNICELLI: Oh, okay. In...in that context, I'll give it a three or four because the reality is the deed restriction doesn't matter if we don't get it built. So, I mean, I...I think that, you know, the other side of this is the policy as it exists, since 2006, has not been successful at building homes for people. And so, I...I think that the deed restriction itself is...I'm not going to say it's inconsequential, but it's like...I keep repeating myself. The deed restriction on no home is zero, so we still have to build.

COUNCILMEMBER LEE: Okay. Thank you. Thank you. Thank you. The bell went off.

CHAIR KAMA: Thank you. And so, we're going to continue with Member Paltin.

COUNCILMEMBER PALTIN: Thanks. I had a few questions. I wanted to try and get through it quickly. For all of the resources, does anyone see a problem...like for affordable housing for our working-people residents with the owner-occupied in perpetuity restriction? Because that's what we're trying to provide is housing for our residents.

MR. CARNICELLI: I would say in general...you know, not every project is created equal, but again, what are we trying to accomplish? If what we're trying to accomplish is building homes for people who live here, then the answer to your question would be yes.

COUNCILMEMBER PALTIN: Yes, you have a problem with it?

MR. CARNICELLI: No, no, no, no, no. I don't have a problem with it. . . .*(inaudible)*. . .

MR. SAVIO: Yeah.

COUNCILMEMBER PALTIN: Oh, okay.

MR. SAVIO: Yeah. The restrictions are important. But again, you...you cannot lose sight of the fact as a County, you want a standard. You want to standardize what you're doing. So, when you go in to talk to a lender, and you're talking about Maui County, they know exactly what restrictions are there, they know why they're there, they understand it. And you're...you're going to find that by having that clarity, and by having a master

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trust or entity that can answer questions, you have just cut months and months off of any approval. Standardization is the key. Right now, we have 22 different restrictions, and no one knows which one, and everyone wants the lowest one, and it just creates chaos.

COUNCILMEMBER PALTIN: Mrs. Schatz?

MS. SCHATZ: I actually put this one...this deed restriction, this time restriction, at the very bottom of the list. I think you guys have big issues on zoning, big issues on infrastructure, and that's really where the emphasis should go. Because without those two, it doesn't matter how many restrictions you put into place, you're not going to build anything.

COUNCILMEMBER PALTIN: So, you don't have a problem once it's built, with owner-occupied in perpetuity?

MS. SCHATZ: I actually don't have an issue with that at this point, no.

COUNCILMEMBER PALTIN: Miss--thank you. Ms. Duvauchelle?

MS. DUVAUCHELLE: Thank you. Actually, I've agreed with everything that Mrs. Schatz has said this afternoon. It mirrors my own thoughts. I don't have a problem with the owner-occupied, but I think the language of that is very important. One of the things that when you folks granted--which was amazing, and we're building them now--the Fairways lots to the Healthcare Foundation. The condition was placed on it that that'd stay in healthcare in perpetuity. So, originally, when we sat down to talk about that--and I hope I'm not speaking out of school, I think Tamara would say the same thing--we started talking about so if a nurse buys one of the homes, she works for the hospital for 25 years, and then she retires, then she would have to sell that home? I mean, what does that look like after? So, I don't have a problem with the owner . . . *(timer sounds)* . . . occupant. I think it's a good idea. I would just really stress getting the language correct.

COUNCILMEMBER PALTIN: Chair, can Mr. Pereira and Mr. Kihune also answer?

CHAIR KAMA: Sure.

MR. PEREIRA: Councilmember, I would just dovetail on Director Mitchell's comments earlier of leveraging the Affordable Housing Fund with bonding, and look at how possibly you could use that to improve infrastructure. And also, you know, creative financing, tax-increment financing where if you have a parcel of land that you're not collecting a lot of property taxes on, and then you develop that parcel, you're going to be getting future property taxes. So, you use those future property taxes to leverage construction of the infrastructure now, so that you could get the housing in place. So, you know, if...if desalinization is...is possibly a part of Maui's future, I think that would fit within using the Affordable Housing Fund to leverage something like that. And you can even

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look at possibly coupling that with the HUD DR funding that's coming Maui's way because of the aftermath of the fires.

COUNCILMEMBER PALTIN: And in --

MR. PEREIRA: Thank you.

COUNCILMEMBER PALTIN: -- all that leveraging and financing, have it be a requirement that it's owner-occupied, and not for speculation?

MR. PEREIRA: Yeah, I...I think if...you'll find that if there's infrastructure in place, you'll get a lot more eyes from developers on potential projects, so you'll get a lot more interest in...in...in projects moving forward because they'll better be able to pencil them out with that infrastructure in place...or if there's a mechanism to finance that infrastructure with future payments.

COUNCILMEMBER PALTIN: Mr. Kihune?

MR. KIHUNE: Thank you, Councilmember. You know, when it comes to rental projects, I don't have a problem with perpetuity at all. I think it works really well. I think for-sale, I would say no to perpetuity. I know how hard these homeowners have worked to get into a house. Some of them work two or three jobs. They've been doing it for 10 or 15 years, and then, you know, to...to live in a project, or live in a...live somewhere where I don't get to reap any benefits at some point--I worked my butt off, and my husband--I think that's a shame. I'm...I'm all for the owner-occupant. I don't have any issues with that whatsoever. But I know how hard these people work. I...I meet all these buyers. I go through all their applications with the staff. It...it's...it's really tough for people, especially now that interest rates are like six percent, if not higher. It's crazy. But I don't want to...I don't want to take that away from them. They work way too hard. It's so hard for them to even get five percent down, and that's all we ask on all of our projects. They can't even barely get five percent down. And I'd like to see that...you know, the current...the current restrictions stay as they are. Maybe make some modifications basing on...based on maybe a project or something like that. But we've been very fortunate. Our projects have been successful from the point that we've had so many buyers with so little homes. So, from that standpoint, you know, I think...I think it's working, and I'd like to see it continue work. But the process with regards to permitting, and I think comprehensive zoning is a huge thing for us. I think that would help move this...move this process forward, moving...get more units. And then one of the things that we're working on--not to toot our horn, but Sandy and I, we're working on our project lease-to-own--a single-family project where you're going to be able to lease it, and then after so many years, all of your rent and all of your down payment will go into purchasing the house. And we've come up with a formula that works. We're working on something right now. And I think that could be the way to go to for us here on Maui. So, just FYI. Thank you.

COUNCILMEMBER PALTIN: I heard the bell.

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CHAIR KAMA: Okay. Thank you. So, let's continue with Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. Okay. Mr. Carnicelli, in response to Member Lee's question about ranking what the deed restrictions would be as far as priority, you said that a deed restriction on no house is...has no value, or you can't put a deed restriction unless the housing is built. But without the housing deed restrictions to provide those guardrails that Mr. Savio was talking about earlier in protecting the supply from the, you know, unsatiated demand...insatiable demand of investors and, you know, foreign buyers, then we're just going to be continuing to do the same thing over and over again, which is the insanity that we were talking about earlier. So, I...I guess I...I don't understand where, you know, like the...that comes in. I would think that both would have to be in place simultaneously. Otherwise, we're just building houses that will either not be affordable for our residents, not be used by our residents, and would be just, you know, vacant. And it's not solving the problem. We're not providing housing for our residents. So, I...that...that's what I heard, and then I just wanted to give you an opportunity to elaborate.

MR. CARNICELLI: Thank you, Councilmember. I...I don't think my opinion is divergent from Mr. Savio's, is...is...my point is, if we're building no homes, there's no deed restriction to place on a home that's not built. That's all that it means. It's just like if...if...if we have policies, whether it be via zoning, or deed restrictions, or, you know, just the climate of Maui County is one with which discourages home providers from providing homes, then we build no homes, and then there's no deed restriction to put on a house that's not built. That's all...that's...that's just...that's...that's my only point is that, is just like is...is if we were going to build the perfect mousetrap that leads to no mousetraps being built, then it's...it's self-defeating. That's all.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah. So, what Mr. Savio was saying is...is what I agree with. Like, I...I...I don't think it makes sense to continue to build houses that aren't going to house our people.

MR. SAVIO: I --

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, Mr. Savio, I saw you grab the mic.

MR. SAVIO: I...I--you know, again, this is where developers are saying the same thing, but they're coming at it from different angles, and it sounds like we're not...*(timer sounds)*... agreeing, but we are. I...I think the key is, if we're going to go through all the trouble to create an affordable house, we're going to go through all the expense of creating an affordable house, and then we allow it to be sold in the open market and shoot up from 4 or 500,000 to a \$1,000,000, we've defeated ourselves. We need to get the house built as quickly as possible, solve all the problems on building...but once it's completed, we have to have a strategy to keep it affordable forever. And that strategy has to allow our residents to create wealth, to create value, to have...have benefits just like the open market would. But they don't have the benefits of what a mainland buyer would pay. So...so...so, they're still going to get appreciation, they're still going to get all of the financial benefits, but it's a more regulated, controlled

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process. And actually, they'll come out ahead because the alternative for them would have been to stay renting. So, we're going to give them the opportunity to buy, but they've got to ride it out.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Mr. Savio. It...it doesn't sound the same. . . .*(laughing)*. . .

MR. SAVIO: It is.

COUNCILMEMBER RAWLINS-FERNANDEZ: That...what you said, Mr. Carnicelli, and then what Mr. Savio said --

MR. SAVIO: He...he's...he's a builder.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- doesn't sound the same.

MR. SAVIO: He's a builder. He wants to get the house built. He wants to make it easy to get that house built. I prefer not to build. I'd rather sell the land than have the people build or hire a contractor to build. I'm not patient. He's patient, right? But it's--we're saying the same thing, but from a slightly different perspective. To me, our problem is not building, our problem is keeping them affordable. How do we keep them affordable? I tell you right now, you guys master that, you've solved the housing crisis. Maui will be the first county that will have affordable homes that stay affordable. And you can do it.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yep. I mean, it's...it's, you know, shielding it from the investor foreign-owned market. I mean, that...that's what it is, but that's not what I'm hearing from the builders. Like, they don't want to shield it in perpetuity, and so I think that's, you know, like where the...the conflict comes in.

MR. SAVIO: No, I think what they're afraid of is what the lenders are going to say, what the public's going to say, and can we get the financing? And the answer to all of that is probably not if it's not part of a fully-structured government program that goes from A to Z, and Z being the price is going to stay affordable forever. So, again, you know, we focus on all these problems rather than the big problem. If we solve the big problem, everything works, right? But--and they're right. I'm building two projects on Maui, and when I came into the Chamber today, I told your Chairman here, I said, I don't want to build on Maui. You guys are too tough. I thought Honolulu was tough. You guys are tougher, right? It's just the...the...it's getting there, the frustration, the cost that can kill the project. So, again, we all want it to be affordable. We wouldn't be an affordable housing developer if it was about money because there's not a lot of money in affordable housing. So, if you guys can come up with a complete program from A to Z, you will have solved the problem. And you just got to talk to the home providers--they don't like developers--you got to talk to the home providers to get their perspective on the steps A, B, C, D. When you get to Z, I'll be there to help you with the restrictions.

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COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(laughing)*. . . Mahalo, Mr. Savio. And then, Chair, I see Mr. Pereira's hand up.

CHAIR KAMA: Yes. Yeah. Mr. Pereira?

MR. PEREIRA: Yes. Thank you, Councilmember. I was just wondering if...if the Committee had any sense of how much Maui County subsidy goes into each unit, and maybe creatively thinking outside the box where you have more reasonable deed restrictions, and then allow the homeowner to pay back that subsidy plus 10 percent as opposed to squashing their wealth creation through many, many years. I'm just kind of brainstorming out loud, but if there's any sense of how much subsidy would go into each unit that's been built, you know, on average, if...if there's anything possible to get on that front.

COUNCILMEMBER RAWLINS-FERNANDEZ: That was just brainstorming, a comment, right? That wasn't a question?

CHAIR KAMA: Right.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo, Mr. Pereira. Just wanted to check.

MR. PEREIRA: Yeah, I was just wondering maybe...maybe it would be, you know, beneficial to see if the...the Housing Director has that...that per unit cost, or average per unit cost that goes into subsidizing workforce housing with deed restrictions.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah. I...I think --

CHAIR KAMA: We could ask him. Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- it would have to --

CHAIR KAMA: We could ask --

COUNCILMEMBER RAWLINS-FERNANDEZ: -- go with --

CHAIR KAMA: -- give him that question. Yeah?

COUNCILMEMBER RAWLINS-FERNANDEZ: Sure. Sure. Yeah. I...I...I'm not --

CHAIR KAMA: Yeah. We can send him that question.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- opposed. Oh, to...yeah.

CHAIR KAMA: Okay. To--yeah.

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COUNCILMEMBER RAWLINS-FERNANDEZ: I think...I think that's something that they would have to like research.

CHAIR KAMA: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: And then...and then provide to us like...probably not with the staff they have now, though.

CHAIR KAMA: Definitely.

COUNCILMEMBER RAWLINS-FERNANDEZ: I'm guessing.

CHAIR KAMA: But we'll send them the question, right?

COUNCILMEMBER RAWLINS-FERNANDEZ: Sure.

CHAIR KAMA: Because I think we're going to be discussing this, and even after whatever decision we might make, we might have more discussions after that. We don't know. We're still in the exploration stage.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

CHAIR KAMA: Thank you. Okay. So, I think we're back to Mr. Cook.

COUNCILMEMBER COOK: I just want to thank all of our resource people for spending the day with us, and if anybody had any comments, fine, but I don't have any more questions --

CHAIR KAMA: Okay.

COUNCILMEMBER COOK: -- Chair. Thank you.

CHAIR KAMA: Thank you. And we're going to continue with Nohe.

VICE-CHAIR U'U-HODGINS: Thank you, Chair. I do appreciate sending that question to Director Mitchell, but --

CHAIR KAMA: Um-hum.

VICE-CHAIR U'U-HODGINS: -- while we do have a few affordable and workforce home providers on with us, maybe they can share with us about how much dollars they get as subsidy per unit. And then I think it's important for us to remember that while we subsidize --

CHAIR KAMA: Yes, we do.

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VICE-CHAIR U‘U-HODGINS: -- things like direct financial help, our County does a good job at...at least trying to subsidize in the other places in the soft cost, and the affordable rent, affordable housing permits are waived. The fees are waived. Park fees are waived. But perhaps maybe we can get about how much subsidy per unit from --

CHAIR KAMA: Okay.

VICE-CHAIR U‘U-HODGINS: -- the providers. Thank you.

CHAIR KAMA: Okay. So, who wants to go first? Either Linda, or Sandra, or Howie, or Lawrence. How much subsidy have...have you been given regarding--per unit...per unit, right? That's the question. Okay.

MS. SCHATZ: Well, I...maybe I can...I can address that. So, if you guys view the waiver of, say, park dedication fees and other fees as a subsidy, then I believe we had about \$24,000 per unit. But I also want to provide a different perspective to that, which is I think one of the reasons why the costs are so high is because there's fees upon fees, or what we would call taxes, on top of building affordable housing...or any type of housing, frankly. And at the end of the day, the County's job is to provide infrastructure for everybody. We all pay into it as taxpayers, and we should be providing infrastructure to meet our population growth. And as housing providers we should be providing the housing for that population growth, right? Because the County doesn't have billions of dollars to do it, and us housing providers can leverage loans and financing and all that to bring those billions of dollars to build those homes. So, it's how you, I think, look at it. In other municipalities, they see these fees as taxes, and in other municipalities, they also believe that the County should be providing this infrastructure for its community based on population size, and that developers are not necessarily always the ones to be paying for this new infrastructure. But we did pay for off-sites that benefited not just us, but benefited a whole bunch of people downstream in Wailuku. We helped to pay for design fees and permitting fees for increasing pipe infrastructure for sewage down on...near Main Street. And so, you know, we did...we did our part, and...and in other ways as well too, for drainage and other things, and traffic lights, and everything that was off-site. So, we did it as part of the deal. But I think it's how you look at it as a perspective. If you're providing affordable housing, you shouldn't be . . . *(timer sounds)*. . . taxed like that.

MR. CARNICELLI: And I would say that our project is actually --

VICE-CHAIR U‘U-HODGINS: . . . *(inaudible)*. . .

MR. CARNICELLI: -- the beneficiary of her putting the waterline down Lower Main, right? So, it is--thank you for that. I just looked it up here, is...is...to answer your question, for our Kuikahi Village, because as part of our 2.97 application, they wanted it quantified. \$17,246.65 per unit is what the quantified--if you look at, okay, you know, disposal permit waiver; refuse disposal per ton; you know, driveway fee inspections; water development fees; electrical, plumbing and building inspection fees; you know, just things like that. And if you start adding all these little things up, you know, it was

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\$17,246.65, but the house was sold...or will be sold for about \$200,000 less than what market would be. So, if you want to say, you know, what's--the...the balance of that is actually a negative, not a positive, you know, if you want to just look at it from that perspective too. So...but anyways, roughly, to answer your question, a little over 17,000 per.

CHAIR KAMA: Interesting.

COUNCILMEMBER PALTIN: Sorry, which project was that you were talking about?

MR. CARNICELLI: For Kuikahi Village.

COUNCILMEMBER PALTIN: Oh. I thought you were asking for like 40 million for that one.

MR. CARNICELLI: Well, that's--then there's a shortfall, which is a whole 'nother conversation. . . .*(laughing)*. . . The shortfall, yeah. But if you're talking about just in requests, initial request for exemptions and things of that nature, on the front end is that. But yeah, there's a shortfall way beyond that that we might be here in front of you guys asking for as well.

CHAIR KAMA: Member Paltin?

COUNCILMEMBER PALTIN: I had a follow-up question for Mr. Savio on the...total asset restriction can't be more than 20 percent of the value of the home. Do you get that information through their tax forms, or how do you verify that?

MR. SAVIO: They...when they turn in a loan application, they're supposed to show what their assets are. The...the key is, local families are going to have trouble even coming up with 10 percent. Mainland buyers will have 100 percent or more, so it...it sort of self-eliminates.

COUNCILMEMBER PALTIN: And then the...the tied to wages, not the Federal Government schedule. Is that based on like something like the Maui County Data Book? Is that where we would get that information?

MR. SAVIO: To be honest with you, I...I don't know. I know that if you use the HUD numbers, they...they tend to be higher because the...all of their numbers are distorted because they allow a higher Section 8 rent than our market dictates. But I'm pretty sure they...that...that somewhere, we have in the government a department that researches wages, and the increase, and what the average wages are, I just don't know what it's called, or the index.

COUNCILMEMBER PALTIN: So, do you do that now, or that's what you are saying it should be?

MR. SAVIO: I...I have never had resale restrictions on my units, and I've never--well, I shouldn't say never--I've probably...of the 6,000 units I've done, I've probably had less

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than 1 percent of the people cheating. But part of it is, my projects do not appeal to mainland buyers, they're local projects to the max. A lot of them were condo conversions of rental buildings in Waipahu, Kalihi, Wahiawa, kind of local neighborhoods. So, I...I sort of self-regulate it by--well, I do projects. Now that I'm starting outside of that, and we're getting a lot--now, we're...we're getting maybe 50, 60 percent mainland-interested buyers, and we're trying to eliminate them per se. But it's...it's very much an issue.

COUNCILMEMBER PALTIN: And then when you were saying that Maui allows three dwellings per lot, and if we restricted the other dwellings to affordable rental, your ideas as to like capping rents at 100 percent of AMI HUD rates, but not requiring the income to be at that same level?

MR. SAVIO: I wouldn't...I wouldn't use the HUD rate because HUD rate will give you a higher-than-market rent. You don't want that. You...that's one of the problems. That's why everybody wants to build Section 8 in Hawai'i --

COUNCILMEMBER PALTIN: So, what...what --

MR. SAVIO: -- because it has high rents.

COUNCILMEMBER PALTIN: What...what rent rate would you use?

MR. SAVIO: It...it...it has to be the index that just shows what the average wages in the County. You might say, we looked at the HUD...HUD program and the 100 percent is too high on wages, so we're going to make it 80 percent. So, if you want to use HUD --

COUNCILMEMBER PALTIN: Oh, not tying it to wages, just tying to rent.

MR. SAVIO: Well, HUD ties to wages --

COUNCILMEMBER PALTIN: Yeah, but --

MR. SAVIO: -- indirectly.

COUNCILMEMBER PALTIN: -- we don't have to.

MR. SAVIO: But...so, instead of--you know, if you say 100 percent, that could be misleading. But if you look at the dollar amount, and they are saying maybe it's 150,000 a year, and you go . . .(timer sounds). . . that's way too high, we want it at 90,000. So, maybe it's going to be 80 percent or 70 percent of the medium [*sic*] income they use.

COUNCILMEMBER PALTIN: Yeah, I wasn't trying to tie it to the income, I was trying to tie it to the rent regardless of what the income is.

MR. SAVIO: But income and rent, you're going to find, is...is very--when you buy a property, usually like 30, 33 percent, 32 percent of your income goes to buying a home. If you're

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renting, it should be about the same number. It should be comparable. In our State, though, it's 50, 60 percent in some cases --

COUNCILMEMBER PALTIN: Thank you.

MR. SAVIO: -- because of the distortion.

CHAIR KAMA: Thank you. I think...want to go back to Member Sinenci. *(pause)*

COUNCILMEMBER SINENCI: Thank you, Chair. Sorry. The dogs were fighting in the yard. Welcome to the country. . . .*(laughing)*. . . . But I...I just...I guess my question was, I've been hearing about all of the...the subsidies--and...and thank you to the developers for...for saying all of the things that they put into...to the projects and to the County for helping with infrastructure. And I remember when we were going through, Chair, the housing plan, infrastructure was the largest piece for...for developers. So, I appreciate that discussion. But why would--but I'm also hearing that, well, if we don't pay for these things, then the affordable housing is not going to get done, and you won't be able to apply deed restrictions if there's no housing being built. But I guess, why would we give up--as government officials that want to keep housing affordable for...and...and keep our...our residents home, why would we give up that very important, I guess, leverage that...that we have in paying for vital infrastructure? If anybody wants to address that.

MR. SAVIO: I think he misunderstood it.

COUNCILMEMBER SINENCI: Sorry.

MR. CARNICELLI: I think I'm the one that opened this can of worms and is being misunderstood--or not communicating well enough. I'm not as handsome or as articulate as Mr. Savio. The only point I was trying to make is, I'm not saying that we need to abandon deed restrictions at all. I'm not saying that we shouldn't...effort. What I'm saying is, I would like to see policy--and I think that this is true from, you know, all of us here today--is saying, can we have policy that helps support home providers rather than hinder them. That's all. That's all. Is...is I'm not saying that we...we shouldn't have deed restrictions. I'm not entrenched in that camp that's like less is more and all of that other stuff. I think that we really, really, truly do need to find a balance, and I think that it's very possible. But I also want to say that the reality, the truth, is that our policy, up until now, has failed us. You know, there's an old saying that the worst thing an engineer can do is try to optimize something that should be eliminated. I think that--I'm not saying that we need to eliminate 2.96, but we're picking around the edges of...of an ordinance that's not working, so let's like really look at this. I think that, you know, Mrs. Schatz has some very innovative ideas. What Howie and Sandra are doing is--nobody else is doing it. Nobody else is doing what they're doing. Like, I mean, hats off to them. This guy's as*(timer sounds)*. . . . creative as it comes, is how can we incentivize those people to keep doing what they're doing so we do have housing? So, again, I just apologize for not being able to communicate better, and I see that Mrs. Schatz has her hand up, too.

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MS. SCHATZ: Yeah. I...I just wanted to say, I...I think that what scares me is that we're having this conversation, and it seems like you guys want to impose more of a longer-term deed restriction. I don't have a full picture of...of what currently exists today on all fronts of different types of housing, but as...as a developer, I almost want you guys to pause for a moment, and not look at making things more restrictive. It's already in place. You got something right now. Howard says it's working for him. Don't rock the boat, but focus on infrastructure, and focus on subsidies and zoning. And spend all your energy on that because you guys only have a finite amount of money and time. And if you focus just on those things, I think you'll make a big difference. But starting to noodle in all these little details, it's like a...it's like a drop in the bucket. It's like it's not going to change things, you know, overnight. There's no silver bullet. So, you have finite resources. Just focus on the stuff that's really bad, and leave this one alone, is what I would say.

COUNCILMEMBER SINENCI: Oh, thank you, Ms. Schatz. But the reality is, we're still losing a lot of our people to the mainland. And as Mr. Savio said, we just...I...I don't have my own home. We're still looking. I can't afford anything that's half a million dollars, 6, 700 million...\$700,000, you...you know? I...so, if we're...I...I'm just trying to look out for our residents who are not able to...to pay those prices...or like Mr. Savio said, don't make the...the wages to pay that kind of mortgages. So, I'm...I'm...I'm still trying to--we want to work with you, but we also don't want to give up our leverage in keeping that number down for our...our residents here. We understand that it's going to be hard to...to build here, but that's...that's all. I mean, in the meantime, no...none of us is willing to afford these prices. Thank you.

CHAIR KAMA: Okay. Members, it's getting to be--get close to that time. Are there any questions that's just burning, that you just can't wait? Not you? Oh, Nohe, Alice.

VICE-CHAIR U'U-HODGINS: Thank you, Chair. Miss...Mrs. Schatz was talking about how much...or rather, the offsite infrastructure that they needed to put in for their affordable and market--40 percent market, I think--rental. I wonder if you could tell us how much you spent on the off-site infrastructure?

MS. SCHATZ: Yeah, we...we actually...we spent several million. We actually had to redo...we had to add an exterior pedestrian light. We had to redo the intersection light. We also have away some land for off-site utilities off of our property, and then we contributed pretty heavily to the Lower Main improvements that not only affected us, but affected everybody downstream. So, it was a few million dollars. I don't have the exact number off the top of my head, but we contribute quite a bit on the off-site side at the end of the day to...to be able to build our project.

VICE-CHAIR U'U-HODGINS: Okay. Thank you. I wonder if Mr. Kihune can also answer that question as well, if he had to spend any money on the offsite improvement, since one of the things we discussed--and to Member Sinenci's point is, how much infrastructure costs, which is ultimately adding to the cost of what the homes are priced at. I just Googled real quick because Mister...Member Sinenci made a good point about, you know, how we can't afford...and Mem...I'm sorry, Member Savio...Mr. Savio...poor thing,

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don't--I wouldn't do that to you--tied to our wages. So, in order for somebody to afford an \$800,000 home, which is, I know, at like the high end of the AMI pricing chart, which I know you don't support, but is about \$200,000. That's...that's how much somebody needs to make, and that's--you would be priced out. You wouldn't...you would have to buy market, and we don't have an \$800,000 market home. But I'm wondering--sorry, I'm just rambling at this point--if Mr. Kihune or Ms. Duvauchelle can talk to us about how much money they spend on offsite infrastructure on their projects.

MR. KIHUNE: I...I can take that, Sandy. So, our Kā'anapali project, the total infrastructure cost was just about 3.7, 3.8 million. Our Pailolo project, that was over--almost \$4 million for that infrastructure costs. Our Hoku'ula project is costing us almost \$32 million. And our Kilohana project is...with Wela Street, it's about 5.3, I believe, someplace around there. I got to double-check, but that's what all of our infrastructure costs is. So --

VICE-CHAIR U'U-HODGINS: Which...I'm sorry, which one cost \$32 million of off-site infrastructure? . . .*(timer sounds)*. . .

CHAIR KAMA: Hoku'ula.

MR. KIHUNE: Our infrastructure cost for Hoku'ula was 30...\$32 million.

MS. DUVAUCHELLE: On-site and off-site.

MR. KIHUNE: Yeah, that's on- and off-site. Yeah.

VICE-CHAIR U'U-HODGINS: Okay. On- and off-...on- and off-.

MR. KIHUNE: I don't have the break...but yeah, I couldn't tell you what...what the difference was, but I know the total numbers.

VICE-CHAIR U'U-HODGINS: Okay. Thank you.

MR. KIHUNE: Yeah. You're welcome.

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

CHAIR KAMA: Okay. Alice?

COUNCILMEMBER LEE: Thank you, Chair. In defense of Linda Schatz, I met her when I first returned to the Council while she was about probably midway on her project, and she told me how they had to pay--contribute significantly to the sewer system, that sewer transmission line over a mile away. . . .*(laughing)*. . . And so, you know, I...I was trying to sympathize with you, Linda. But I guess, you know, a lot of home providers don't realize, until you go to the Council for approvals on this and that, and we add all these different conditions...what homeowners or home providers don't realize, then you go through the gauntlet of the Administration, and they add their own conditions. And

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oftentime...oftentimes, there's no rational nexus. I mean, luck...luckily, you didn't have to fix the sewer system in Ha'ikū.

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

COUNCILMEMBER LEE: But, you know, those things happen. And that is the reason why I kept bringing up today the deed restrictions are important to prevent speculation, but these other things are way more important, as well as--it's not like we're going to ignore...ignore the deed restrictions. I think we have to deal with them, but not in an overly restrictive manner, because we have so many other essential and important issues to deal with. So, that's what I was trying to communicate. Did...did you get that message today from me? . . .*(laughing)* . . . Did you think I came across saying that, you know? Because I was trying to say, you know, deed restrictions are important, but the other things are way more important.

CHAIR KAMA: Infrastructure.

COUNCILMEMBER LEE: You know? Because we've got to get those done to really get the housing going. And...and I'm really sorry. I don't know what possesses you guys to want to be developers. I...I --

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

UNIDENTIFIED SPEAKER: Sadistic.

COUNCILMEMBER LEE: I mean, it's probably one of the hardest...hardest professions in the world. But we thank you for...for what you've done for Maui. Thank you very much. And all the developers, thank you. That's all I have, Chair.

CHAIR KAMA: Okay. Well, we're calling the developers home providers.

COUNCILMEMBER LEE: Oh, okay. Home providers.

CHAIR KAMA: Yeah. They like that name. Okay. Members, seeing as how there are--yes. Oh, Member Keani Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I just wanted to clarify earlier Mr. Pereira asked a question for the Committee to transmit, and at the time, it...it sounded like an average of subsidies, but in...in looking through some of the notes that I have, there's like so many variables and factors, right? So, there's the AMI, there's the, you know, location of where it's built, there's the availability of infrastructure, you know, the--so, I guess I wanted to clarify for Staff, since Staff is going to be drafting --

CHAIR KAMA: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- the letter to transmit it --

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CHAIR KAMA: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- to Housing Department, like what...what...what exactly is the question --

CHAIR KAMA: Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- and then like what...what is the purpose, so that the Department understands what it is that we're trying to...what information we're trying to get?

CHAIR KAMA: Okay. We're going to have Staff repeat that. So, James, can you --

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, Mr. Pereira.

CHAIR KAMA: Oh, okay. Go ahead. Oh, you want it from him to make sure the Staff is clear about what it is that they should be sending to --

COUNCILMEMBER RAWLINS-FERNANDEZ: Correct.

CHAIR KAMA: -- to Remi? Okay. Okay. So --

MR. PEREIRA: Yeah, thank you very much, Councilmember. I think it would just set a baseline, even if it's not exactly proportionate to the different AMIs, but I think you could maybe break it down between the different AMIs, but I think it would just set a good baseline for the Committee and for the Council to see how much average subsidies are going into the per unit. And that way, maybe it'll allow, you know, some better policy to...to come out from...from the entire debate. But it would be interesting, I think, just to see how much actual subsidies are going into these units, and then, you know, maybe there's some kind of policy aims that come out...out of that. So, that that was kind of my...my goal in asking that question.

COUNCILMEMBER RAWLINS-FERNANDEZ: So, when you say subsidy, do you mean like Affordable Housing Fund, or like...like money?

MR. PEREIRA: Yeah. Yeah, just like the total...the total --

COUNCILMEMBER RAWLINS-FERNANDEZ: And you're not including the, you know, exemptions for like connecting to sewer, or any like waivers of like impact fee, or park assessment, or all...all of those other things as well included in the subsidy?

MR. PEREIRA: I think all of the above, Councilmember. Yeah, I think all of the above. I think they--all of...all of those could go into a rounded amount of average subsidies that are going into the per unit cost. I think that would be a --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

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MR. PEREIRA: -- helpful data point.

COUNCILMEMBER RAWLINS-FERNANDEZ: So, the...the Staff under...like, were they able to capture the question?

CHAIR KAMA: We're going to ask them right now. James?

COUNCILMEMBER RAWLINS-FERNANDEZ: I...I don't think I'd be able to draft the question.

CHAIR KAMA: That's why we're going to ask them.

MR. KRUEGER: Oh.

CHAIR KAMA: James?

MR. KRUEGER: So, Chair...so...so, generally, Staff's understanding of the question is it would be how...how much the County subsidizes for each...generally for each affordable . . .*(timer sounds)*. . . housing unit, taking into account Affordable Housing Funds and fee waivers, things of those nature.

CHAIR KAMA: Does that capture that, Mr. Pereira?

MR. PEREIRA: Yeah.

CHAIR KAMA: Okay.

MR. PEREIRA: I think he's got it very well. Thank you.

CHAIR KAMA: Is that sufficient --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo.

CHAIR KAMA: -- Member Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: I think so. And...and Director Mitchell is...is very intelligent.

CHAIR KAMA: Yes, he is very astute.

COUNCILMEMBER RAWLINS-FERNANDEZ: I'm sure he will be able to --

CHAIR KAMA: Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: -- . . .*(laughing)*. . . provide us that information in a way that makes sense in the context of this discussion. Mahalo, Chair.

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CHAIR KAMA: You're very welcome. So, Members, seeing as how there are no more questions for our resources today, I...without objections, I would like to defer this item.

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: GJ, YLS).

ACTION: DEFER pending further discussion.

CHAIR KAMA: And Members, we're going to be meeting again on Thursday to ask questions of our financial and economic resources and housing advocates. So, thank you, Members, for participating in our deep dive on this policy issue, and this meeting is now adjourned at 4:32 p.m.

COUNCILMEMBER LEE: No, in recess, yeah?

CHAIR KAMA: No, adjourned until 4:32.

COUNCILMEMBER LEE: Adjourned. Okay.

CHAIR KAMA: You're welcome. . . .(gavel). . .

ADJOURN: 4:32 p.m.

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Transcribed by: Logan Tsuji

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CERTIFICATION

I, Logan Tsuji, hereby certify that pages 1 through 110 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 March 2025, in Wailuku, Hawai'i



Logan Tsuji