

KATHY L. KAOHU
County Clerk



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September 7, 2021

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OFFICE OF THE
COUNTY COUNCIL

Honorable Gabe Johnson, Chair
Affordable Housing Committee
Council of the County of Maui
Wailuku, Hawaii 96793

Dear Chair Johnson:

Attached for your information is a copy of Committee Report No. 21-69, As Amended, which was adopted by the Council of the County of Maui on September 3, 2021.

Respectfully yours,

A handwritten signature in cursive script that reads "Kathy L. KaoHu".

KATHY L. KAOHU
County Clerk

/jym

Enclosure

COUNCIL OF THE COUNTY OF MAUI
AFFORDABLE HOUSING COMMITTEE

September 3, 2021

Committee
Report No. 21-69
As Amended

NOTE: This committee report was amended by the Council at its meeting on September 3, 2021, by adding the underscored material on page 9. This committee report was then adopted as amended.

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Affordable Housing Committee, having met on August 2, 2021, August 16, 2021, and reconvened on August 25, 2021, makes reference to County Communication 21-17, from Council Chair Alice L. Lee, relating to affordable housing projects under Chapter 201H, Hawai'i Revised Statutes ("HRS").

By correspondence dated July 21, 2021, the Director of Housing and Human Concerns transmitted the following:

1. An application for the development of the proposed Hōkūao Housing Project ("Project") in Lānaʻi City, Lānaʻi, Hawaiʻi, under Section 201H-38, HRS. The Project consists of 150 single-family rental homes, of which 74 would be rented at market rate, and 76 would be rented as residential workforce housing units to qualified households earning between 80 and 140 percent of the area median income ("AMI"), as set forth by Department of Housing and Human Concerns guidelines. The Project site is near the Lānaʻi Police Station and Dole Park to the northeast, Pūlama Lānaʻi central offices to the southeast, and a County wastewater treatment facility to the southwest. The Project site is approximately 76 acres and covers portions of three contiguous parcels identified for real property tax purposes as Tax Map Keys (2) 4-9-002:061 (por.), (2) 4-9-014-001 (por.), and (2) 4-9-014:009 (por.). The parcels have a State Land Use classification of Urban District and

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Agricultural District, and a district boundary amendment will be required from the State Land Use Commission. The owner of the parcels and Project developer is Lānaʻi Resorts, LLC, d/b/a Pūlama Lānaʻi (“Developer”).

2. A proposed resolution entitled “APPROVING THE INDEPENDENT DEVELOPMENT OF THE HŌKUAO 201H HOUSING PROJECT PURSUANT TO SECTION 201H-38, HAWAII REVISED STATUTES.”

The purpose of the proposed resolution is to approve the proposed Project with various exemptions from certain requirements contained in the Maui County Code relating to planning, zoning, land development and improvement, and construction standards for subdivisions and dwelling units.

3. A proposed resolution entitled “APPROVING WITH MODIFICATIONS THE INDEPENDENT DEVELOPMENT OF THE HŌKUAO 201H HOUSING PROJECT PURSUANT TO SECTION 201H-38, HAWAII REVISED STATUTES.”

The purpose of the proposed resolution is to approve the proposed Project with the modifications in “Exhibit B” and with various exemptions from certain requirements contained in the Maui County Code relating to planning, zoning, land development and improvement, and construction standards for subdivisions and dwelling units.

4. A proposed resolution entitled “DISAPPROVING THE INDEPENDENT DEVELOPMENT OF THE HŌKUAO 201H HOUSING PROJECT PURSUANT TO SECTION 201H-38, HAWAII REVISED STATUTES.”

The purpose of the proposed resolution is to disapprove the proposed Project.

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By correspondence dated July 30, 2021, the Department of the Corporation Counsel transmitted revised proposed resolutions. The purpose of the revised proposed resolutions is to replace "Exhibit A" with a corrected list of exemptions as requested by the Developer.

Under Section 201H-38, HRS, the Council must approve, approve with modifications, or disapprove the proposed Project within 45 days after the preliminary plans and specifications have been submitted to the Council, which submittal took place on July 21, 2021. The Council has until September 4, 2021, to act on the 201H application, or the Project will be deemed approved.

Your Committee received a presentation from a representative of the Developer. According to the presentation and Project application, the proposed Project will provide 76 single-family homes as residential workforce housing units in perpetuity, for rent to below-moderate, moderate, and above-moderate income-qualified households earning between 80 and 140 percent of AMI. In addition, the Project will provide 74 single-family homes for rent at market rate.

The Developer's representative said all 150 homes will be two-bed/two-bath units with an interior living space starting at 1,150 square feet, and lot sizes starting at 8,000 square feet. Each home will be fully furnished and will include a solar-tiled roof and battery storage system; central air conditioning; washer, dryer and other appliances; a two-car carport; and front and back lanais. The Developer will also provide landscaping and property maintenance. The conceptual landscaping plan features fruit-bearing trees, pocket parks, and grass swales. The Project plan also includes a one-acre park and a 1,500 square foot community center. The Project will include road improvements, underground utility distribution lines, and the relocation of existing wastewater lines.

Your Committee notes the Developer has requested exemptions from the Maui County Code to expedite the delivery of the housing units, including exemptions relating to community plan amendments, changes in zoning, development standards, and certain residential workforce housing requirements. The Developer has also requested exemptions from

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construction-related fees for the residential workforce housing units, totaling approximately \$581,000.

According to the 2021 guidelines established by the Department of Housing and Human Concerns, the median family income on Lānaʻi is \$55,460. The Department's income limits for residential workforce housing rental units is based on AMI and family size. For example, the income limit for a two-person household would be \$35,490 at 80 percent AMI, \$44,370 at 100% AMI, and \$62,120 at 140% AMI. The maximum monthly rent for a two-bedroom unit, including all utilities, would range from \$998 to \$1,747.

The Developer's representative said the monthly rent, including utilities and landscaping and property maintenance, would be approximately \$1,000 to \$1,250 per month for the below-moderate income units, \$1,250 to \$1,500 for the moderate income units, and \$1,500 to \$1,750 for the above-moderate income units.

Your Committee received public testimony on the proposed Project, the majority of which supported the Project as proposed or with modifications. Comments received in support of the proposed Project, included the following:

- The residential workforce housing units would be income-restricted in perpetuity.
- The Project would increase the housing inventory on Lānaʻi, helping to address problems with overcrowded households and lack of housing choice and availability.
- The additional housing units would support workforce recruitment and retention, especially for recent graduates and returning residents.
- The Project would be entirely privately financed by Lanai Island Holdings, LLC, the parent company of Pūlama Lānaʻi.

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Your Committee also received public testimony expressing concerns about some aspects of the proposed Project, including:

- None of the units will be offered for sale, despite community outreach and presentations conducted during an earlier iteration of the Project that consisted of 200 single-family homes for sale.
- The Project might give preferential treatment to applicants who are employees of Pūlama Lānaʻi or its affiliates, some of whom may not be long-term Lānaʻi residents.
- The Project may have negative impacts on water, wastewater, and other infrastructure capacity for future adjacent developments proposed for the Lānaʻi High and Elementary School Master Plan, the Department of Hawaiian Home Lands (“DHHL”) residential expansion, and the County’s Lānaʻi Affordable Housing Project.
- The lack of sidewalks for the Project’s internal roads present safety and accessibility concerns, especially for persons with disabilities or mobility issues.

The Developer’s representative said a targeted survey of their current renters demonstrated a greater need for rental housing, and housing for residents in the below-moderate, moderate, and above-moderate income ranges. The Project proposes to distribute the units as follows: 70 percent (or 53 units) in the above-moderate category, 20 percent (or 15 units) in the moderate category, and 10 percent (or 8 units) in the below-moderate category. The representative confirmed that the proposed housing units are intended for current residents of Lānaʻi, but with no specific preferences for length of residency.

The Developer’s representative also noted Pūlama Lānaʻi’s current tenants include employees of Pūlama Lānaʻi, Four Seasons Resort, and Sensei Farms, as well as teachers, firefighters, police officers, health care

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professionals, TSA employees, and other essential workers in the community. The representative said the proposed development of Well 7 would provide sufficient capacity to meet the water needs of the entire Project, the DHHL project, and some, but not all phases of the County project. The representative also said the Project site plans, including streetscapes, were designed to reflect the character of Lānaʻi City.

Your Committee discussed the proposed Project, including the concerns expressed in public testimony relating to available water and wastewater capacity for the Project and other County and DHHL developments in the area; the lack of internal sidewalks and resulting safety and accessibility uses; the lack of units for sale, considering the high demand for home ownership on Lānaʻi as indicated in a recent survey conducted by your Committee Chair; and the need to ensure the Project benefits current, and to the extent legally possible, long-term residents of Lānaʻi.

Your Committee received written or in-person comments from representatives of various County agencies, including the Departments of Housing and Human Concerns, Planning, Public Works, Environmental Management, Parks and Recreation, Fire and Public Safety, and Police. Your Committee notes that extensive comments made by the agencies and the Lānaʻi Planning Commission are included in the Project's application materials.

The Deputy Director of Housing and Human Concerns said the Project does not include rentals for the low/very low income AMI categories (80 percent AMI and below), but does include rentals at the above-moderate income category (120 to 140 percent AMI), which is a significant departure from the Residential Workforce Housing Policy. Under Section 2.96.060, Maui County Code, rental units are required to be distributed equally between the moderate, below-moderate, and low/very low income categories.

The Deputy Director noted the income range and distribution of the Project would be mitigated by the Developer's proposal to provide 39 of their 128 existing units at Iwiolo Hale for residential workforce housing in

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their current AMI categories, in perpetuity. These units, along with the 76 Hōkūao units, would be subject to a residential workforce housing agreement under Chapter 2.96, Maui County Code. While this would not constitute the Project exceeding its requirements under 201H, it would allow for the retention of residential workforce housing units that would otherwise convert to market rate.

The Deputy Director commented on fast track permitting for the market rate units, as proposed in the Developer's requested exemption from Section 2.96.160, Maui County Code. She said the fast track provision is a valuable incentive for developers and is intended to reward projects that provide 100 percent of their units as workforce housing. The Hōkūao Housing Project is 50.6 percent workforce housing, which is the minimum 201H requirement of 50 percent plus one unit. The Deputy Director said the Department could support fast track permitting for this Project due to the critical housing shortage on Lānaʻi and other exceptional factors, including safety issues that may result if adjacent units are not constructed at the same time.

The Deputy Planning Director expressed support for the Project, but was concerned about inadequate sidewalks and setbacks affecting pedestrian and vehicle safety and access. In addition, he expressed concerns about the residential workforce housing units and the market rate units being grouped in separate income-related clusters, the lack of diversity in the type of units, and the lack of variety in the exterior design of the homes creating a repetitive cookie-cutter effect. He also requested the park and community center be available when the first housing units are occupied.

The Director of Public Works expressed support for the Project, but was concerned about the lack of sidewalks for the proposed Project's internal roads, and other requested exemptions to development standards. She proposed revisions to several of the exemptions, which your Committee included in its recommendations.

The Deputy Director of Environmental Management said the County's wastewater treatment facility currently has available capacity for

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292 housing units, but is reaching its maximum capacity of 0.5 million gallons per day (“mgd”). He said the 150 housing units in the proposed Project would bring the capacity up to 0.464 mgd, leaving a remaining capacity for 142 units. He added that availability for the proposed Project cannot be ensured until the issuance of the building permits. He further noted that capacity is not solely based on volume of effluent, but also the load of biological material in the effluent.

The Director of Parks and Recreation said the proposed Project exceeds the park requirements for new subdivisions under Chapter 18, Maui County Code. She also said the Department has not yet received design plans for the proposed one-acre park and 1,500 square foot community center.

Your Committee notes the Project must provide reliable long-term water supply to meet the demands of the entire Project. The Project application states that activation of Well 7 by Lānaʻi Water Company will meet the estimated 0.12 mgd demand. It also states that the total current demand is 1.60 mgd; “other proposed developments” are estimated to add 1.51 mgd for a total demand of 3.23 mgd; and the Sustainable Yield, per Commission on Water Resource Management (CWRM), is 6 mgd.

Your Committee discussed a District Boundary Amendment for the Project, which will be required for portions of all three subject parcels. By correspondence dated August 19, 2021, from a Developer representative, a Notice of Intent To File a Land Use District Boundary Amendment was filed August 19, 2021, with the State Land Use Commission.

Your Committee also discussed references to “possible rollback or retroactive property taxes” contained in the Project application’s land ownership documentation. By correspondence dated August 23, 2021, the Director of Finance described certain conditions which could subject the Project parcels to new or additional taxation, but confirmed that all three parcels are current on their taxes.

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Your Committee further notes the following specific representations by the Developer in its Project application, presentation, and comments:

- The Project is anticipated to be completed within 10 years from the start of construction, and homes may be available as soon as 2023.
- The Developer will consider designating ADA-accessible homes in the Project for residents in need of such accommodations.
- After completing this Project, Phase 1 and 2 of the County's Lānaʻi Affordable Housing Project, and fulfilling Pūlama Lānaʻi's rental needs, if an assessment demonstrates the need for workforce housing ownership units, the Developer will consider offering existing homes in its rental inventory for sale to income-qualified residents.

Your Committee discussed the various exemptions requested by the Developer, including exemptions relating to land use and zoning; construction and design standards; fast track permitting; and the Project's applicant selection process and waitlist procedures. Your Committee did not recommend granting an exemption from the provisions of Section 18.20.070, Maui County Code, requiring sidewalks on one side of the street for the Project's internal roads. The requested exemptions approved by your Committee are listed in "Exhibit A."

Your Committee considered a number of modifications to the project, including provisions to achieve the following objectives:

- Set start and completion times for the Project.
- Prohibit condominium property regimes, further subdivision, short-term rental homes and other transient accommodations, and rental of residential workforce housing units at market rate.

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- Establish policies for the protection of Project residents and for the provision of teacher housing.
- Promote the development of infrastructure in coordination with, and for the coordinated use of, future developments in the area.

The Developer objected to your Committee's proposals requesting water and wastewater systems, and roads and sidewalks, to be developed in coordination with other projects in the area. However, the Developer agreed to develop stub outs for water and wastewater for the County's Lāna'i Affordable Housing Project. The approved modifications accepted by the Developer are listed in "Exhibit B."

Your Committee notes the Project could support various strategies, objectives, and policies of the Countywide Policy Plan, including the following:

- "Expand housing opportunities for residents." (Page 57)
- "Reduce the affordable housing deficit for residents." (Page 57)
- "Ensure that an adequate and permanent supply of affordable housing, both new and existing units, is made available for purchase or rental to our resident and/or workforce population, with special emphasis on providing housing for low- to moderate-income families, and ensure that all affordable housing remains affordable in perpetuity." (Page 57)
- "Seek innovative ways to lower housing costs without compromising the quality of our island lifestyle." (Page 57)
- "Increase and maintain the affordable housing inventory." (Page 58)

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- “Develop workforce housing in proximity to job centers and transit facilities.” (Page 58)
- “Strengthen the local economy.” (Page 60)
- “Expand and enhance the network of parks, multi-use paths, and bikeways.” (Page 64)
- “Direct growth in a way that makes efficient use of existing infrastructure and to areas where there is available infrastructure capacity.” (Page 72)

Your Committee also notes the Project could support various goals, objectives, and policies of the Lānaʻi Community Plan, including the following:

- “Encourage Pūlama Lānaʻi to develop new rental and ownership housing that is affordable to a broad range of Lānaʻi household income levels.” (Page 11-3)
- “Expedite the permit process for housing projects that are safe, affordable, environmentally sustainable, and community oriented.” (Page 11-4)
- “Encourage the development of a mix of quality multifamily and single-family housing units to expand housing choices and price points.” (Page 11-4)
- “Encourage the County to work collaboratively with Pūlama Lānaʻi in order to build affordable housing throughout all residential growth areas.” (Page 11-5)

Your Committee further notes the Lānaʻi Community Plan provides this specific goal: “Increase home ownership for Lānaʻi residents by encouraging the sale of residential rental properties.” (Page 11-5) Your

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Committee urges the Developer to make its best efforts to work with the County towards this important goal.

Your Committee concluded that the lack of housing choice and availability on Lānaʻi has deleterious effects on workforce development and retention, as well as negative social, economic, and even health impacts.

Your Committee recognized that Lānaʻi has not had large-scale affordable housing construction for almost 30 years, and this privately-financed Project would provide many benefits to the community, including an additional 76 new units and 39 existing units in the residential workforce housing inventory in perpetuity.

Your Committee voted 8-0 to recommend adoption of the revised proposed resolution approving with modifications the Hōkūao Housing Project; filing of the revised proposed resolution approving the Project; and filing of the revised proposed resolution disapproving the Project.

Committee Chair Johnson, Vice-Chair Molina, and members King, Lee, Paltin, Rawlins-Fernandez, Sinenci, and Sugimura voted “aye.” Committee member Kama was excused.

Your Committee is in receipt of a revised proposed resolution, entitled “APPROVING WITH MODIFICATIONS THE INDEPENDENT DEVELOPMENT OF THE HŌKŪAO HOUSING PROJECT UNDER SECTION 201H-38, HAWAII REVISED STATUTES,” approved as to form and legality by the Department of the Corporation Counsel, incorporating your Committee’s recommended revisions and nonsubstantive revisions.

Your Affordable Housing Committee RECOMMENDS the following:

1. That Resolution 21-136, attached hereto, entitled “APPROVING WITH MODIFICATIONS THE INDEPENDENT DEVELOPMENT OF THE HŌKŪAO HOUSING PROJECT UNDER SECTION 201H-38, HAWAII REVISED STATUTES,” be ADOPTED;

COUNCIL OF THE COUNTY OF MAUI
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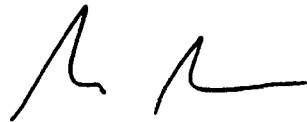
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2. That the proposed resolution, attached hereto, entitled "APPROVING THE INDEPENDENT DEVELOPMENT OF THE HŌKUAO 201H HOUSING PROJECT PURSUANT TO SECTION 201H-38, HAWAII REVISED STATUTES," be FILED; and

3. That the proposed resolution, attached hereto, entitled "DISAPPROVING THE INDEPENDENT DEVELOPMENT OF THE HŌKUAO 201H HOUSING PROJECT PURSUANT TO SECTION 201H-38, HAWAII REVISED STATUTES," be FILED.

This report is submitted in accordance with Rule 8 of the Rules of the Council.



GABE JOHNSON, Chair

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COUNCIL OF THE COUNTY OF MAUI

WAILUKU, HAWAII 96793

CERTIFICATION OF ADOPTION

It is HEREBY CERTIFIED that the recommendations contained in COMMITTEE REPORT NO. 21-69, As Amended were adopted by the Council of the County of Maui, State of Hawaii, on the 3rd day of September, 2021, by the following vote:

MEMBERS	Alice L LEE Chair	Keani N. W. RAWLINS- FERNANDEZ Vice-Chair	Gabriel L. JOHNSON	Natalie A. KAMA	Kelly T. KING	Michael J. MOLINA	Tamara A. M. PALTIN	Shane M. SINENCI	Yuki Lei K. SUGIMURA
ROLL CALL	Aye	Aye	Aye	Excused	Aye	Aye	Aye	Aye	Aye



COUNTY CLERK