



DEPARTMENT OF  
**HOUSING AND HUMAN CONCERNS**  
 COUNTY OF MAUI

ALAN M. ARAKAWA  
 Mayor

CAROL K. REIMANN  
 Director

JAN SHISHIDO  
 Deputy Director

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February 23, 2018

Honorable Alan M. Arakawa  
 Mayor, County of Maui  
 200 South High Street  
 Wailuku, Hawaii 96793

For Transmittal to:

Honorable Riki Hokama  
 Chair, Budget and Finance Committee  
 Maui County Council  
 200 South High Street  
 Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

*Alan Arakawa*

Mayor

2/23/18

Date

Dear Chair Hokama:

**SUBJECT: INTERGOVERNMENTAL AGREEMENT WITH THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (BF-128)**

Thank you for your correspondence of February 20, 2018 pertaining to the above subject. The information requested is listed below in bold and is followed by the Department's responses.

- 1. Explain why \$150,848 is proposed for the Maui Administration and under what authority is allocation is allowed. Provide an itemized budget for the funds.**

The \$150,848 Maui Administration is a part of the \$2,883,961 grant being provided to the County by HHFDC. These funds are intended to offset expenses incurred by the County in administrating the HOME program.

The administrative funds are allocated on the same three-year rotational basis as the program funds and spread out over the three-year timeframe. Slightly over \$50,000 of HOME-related expenses can be reimbursed each year. The funds are applied each year as follows:

- The majority of the administrative funds are used to cover a portion of the rent, electricity and janitorial services of the Housing Division offices at 35 Lunalilo Street, Suite 102 (approximately \$35,000 per year).

- The second highest expense is approximately \$4,500 for Professional Services which pays for an annual audit.

Attached you will find two sheets from the 2019 budget planning documents. The first sheet shows expenditures from Index 126735 which reflects the final year of expenditures from the 2011 HOME administrative funds. The second sheet shows Index 156449 which is the 2014 HOME administrative funds, and reflects the expenditures made from those HOME funds.

If received, the 2017 HOME administrative funds will be assigned its own index, and HOME administration expenses will begin being drawn from that funding allocation beginning in FY2019. The projected 2019 budget for these funds was submitted with the Housing Division budget last fall, and is reflected on the 156449 index sheet.

**2. As it relates to the Kaiwahine Village Phase I project:**

- a. Provide an updated program description. Indicate how the funds will be applied to the project.**

A current program description was included in the FY 2017 HOME INVESTMENT PARTNERSHIPS PROGRAM STATE RECIPIENT AGREEMENT as "EXHIBIT A" (copy of exhibit is attached). The project description includes a USES AND SOURCES BUDGET for all funds as "Attachment A" (final two pages).

- b. Explain the term "HOME match." How does the County match credit of \$13,828,923 factor into the project or the receipt of HOME funds?**

As a requirement of the HOME Program, the County must contribute not less than an amount equal to 25 percent of the HOME funds expended from the program. The "match" can come in many forms, but most often the County has sub-granted the HOME funds to a non-profit organization who also receives Affordable Housing Funds for their project. In those cases, the AHF is our "match" contribution.

Anything granted in excess of the 25% requirement becomes "excess match". Over the years, the County has contributed excess match through the grants for these other projects. In addition, the County also received match credit for the AHF expended for the construction of Kulamalu Hale. As of June 30, 2017, the County's cumulative match balance stood at \$13,828,923.

The excess match balance means that the County does not need to contribute additional funds toward the construction of the Kaiwahine project.

- c. Explain “Developer’s Fees.” As indicated on the Uses and Sources Budget (Construction) for the project, \$1,403,375 is noted as actual costs.**

Developers of HOME projects are allowed to charge reasonable developer fees to the project in order to remain in business. The County of Maui developer fee criteria is consistent with the developer fees allowed by the other Hawaii counties, and with HHFDC. The criteria is provided in our application and evaluation of all HOME Program projects as follows:

*“For new construction, the maximum developer fee is 15% of total development costs or \$3,750,000 (whichever is less). For acquisition/rehabilitation, the maximum developer fee is 10% of the acquisition costs and 15% of the rehabilitation costs, or \$3,750,000 (whichever is less).”*

Developer’s fees for the Kaiwahine Village Phase I is 4.4% of the total development cost.

- 3. Explain how the projects were selected to receive HOME funds. Provide documentation relating to the public notification of availability of HOME funds, the application period to submit proposals, the number of applications received, and the rationale for the selection of the Kaiwahine Village Phase I and Kahoma Residential Subdivision projects.**

HOME funds are made available to the County on a three year rotational basis. Every year we hold a public hearing in partnership with HHFDC and CDBG to discuss funding sources and program goals. The hearings are advertised per federal requirements; and the HOME program and Housing Trust Fund are discussed at all of these hearings, including when funds will become available. In addition to the public hearings we are in regular in contact with low-income housing providers to ensure that they are aware of when the funding will become available. The Housing Division also responds to inquiries about the funding from interested developers on a regular basis.

The following is the schedule for the solicitation of the 2017 HOME and National Housing Trust funds:

- Public Hearing – October 19, 2015
  - Notice published in the Maui News – October 1 & 4, 2015
- Public Hearing – October 21, 2016

- Notice published in the Maui News – September 18 & 21, 2016  
Notice of Request for Proposals
- Notice published in the Maui News - November 20 & 27, 2016  
Application period - November 28, 2016 to January 16, 2017  
Application workshop - December 2, 2016  
Applications reviewed, scored and selected - January 18 to February 2, 2017  
Selected projects submitted for the County and State Annual Action  
Plans – February 22, 2017

Representatives from five organizations attended last year's application workshop and received applications. In addition, several application packages were requested via telephone or email, and were sent out separately.

Subsequently, three applications were submitted for the HOME funding and one application was received for the National Housing Trust Fund. The applications were reviewed and scored by four reviewers; and the separate scores were averaged to obtain a final score. Attached you will find the scoring criteria for the HOME Investment Partnerships Program (HOME).

At the completion of the scoring, Kaiwahine Village Phase I and Kahoma Residential Subdivision projects were selected for HOME funding, and Kaiwahine Village Phase II was selected to receive National Housing Trust funds.

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

Sincerely,



CAROL K. REIMANN  
Director of Housing and Human Concerns

Attachments  
xc: Housing Division

Department Housing and Human Concerns  
Program HOUSING PROGRAM

Fund Special Revenue Fund  
Sub-Fund Grant Revenue Fund

Index Code	Sub-Object Code/Description	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	(1) (+/-) OVER FY 2018 Adopted		FY 2019 Dept Proposed	(2) EXPLANATION OF CHANGES
						Continuation Request	Expansion Request		
<b>126735</b>	<b>HOME FFY11 ADMINISTRATION</b>								
126735	6071 Copier Supplies	\$276		-\$155				\$0	
126735	6112 Contractual Service	\$3,854	-\$411					\$0	
126735	6120 Electricity	\$5,669		-\$164				\$0	
126735	6129 Other Services		-\$598					\$0	
126735	6235 Rentals	\$28,607		-\$6				\$0	
<b>Subtotal</b>	<b>126735 HOME FFY11 ADMINISTRATION</b>	<b>\$38,406</b>	<b>-\$1,009</b>	<b>-\$325</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

Department Housing and Human Concerns  
Program HOUSING PROGRAM

Fund Special Revenue Fund  
Sub-Fund Grant Revenue Fund

Index Code	Sub-Object Code/Description	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	(1) (+/-) OVER FY 2018 Adopted		FY 2019 Dept Proposed	(2) EXPLANATION OF CHANGES
						Continuation Request	Expansion Request		
<b>156449 HOME FFY14 ADMINISTRATION</b>									
156449	6037 Office Supplies		\$698	\$225			\$225	\$225	
156449	6040 Postage			\$55			\$55	\$55	
156449	6071 Copier Supplies		\$308	\$244			\$275	\$275	
156449	6101 Advertisement	\$358	\$742	\$1,788			\$1,790	\$1,790	
156449	6120 Electricity		\$5,362	\$4,174			\$4,200	\$4,200	
156449	6124 Janitorial Services		\$1,279	\$853			\$1,050	\$1,050	
156449	6130 Printing & Binding			\$25			\$25	\$25	
156449	6132 Professional Services	\$465	\$3,138	\$4,499			\$4,500	\$4,500	
156449	6201 Airfare, Transportation	\$325	\$1,847	\$1,964			\$2,000	\$2,000	
156449	6222 Per Diem Non-Reportable		\$537				\$500	\$500	
156449	6226 Per Diem S/D/T Taxable	\$40	\$165	\$255			\$255	\$255	
156449	6235 Rentals		\$29,701	\$30,004			\$30,005	\$30,005	A portion of the rent at 35 Lunalilo, Ste 102
<b>Subtotal</b>	<b>156449 HOME FFY14 ADMINISTRATION</b>	<b>\$1,188</b>	<b>\$43,777</b>	<b>\$44,086</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,880</b>	<b>\$44,880</b>	

## **EXHIBIT A**



COUNTY OF MAUI  
HOME PROGRAM DESCRIPTION  
Kaiwahine Village, Phase I  
December 2017

In accordance with the HOME Program Description requirements of the Hawai'i Housing Finance and Development Corporation (HHFDC), this Program Description is provided for Kaiwahine Village, Phase I.

ADMINISTRATIVE OVERVIEW

The County of Maui, through its Housing Division, issued a HOME Request for Proposal in December 2017, seeking private developers to submit affordable housing applications for use of FY2017 HOME Program funds. Applications were received, reviewed and evaluated. Kaiwahine Village, Phase I, to be developed by Ikaika Ohana, has been conditionally selected as the PY2017 HOME Program recipient.

A. DESCRIPTION OF THE PROPOSED PROJECT

Kaiwahine Village, Phase I is new construction 64-unit affordable rental housing complex for households at or below 60 percent of AMI. The project is located on a site in Kihei, Maui and identified as Tax Map Key (2) 3-8-004: 28 (lot 134-A). Kaiwahine Village, Phase I, will have 64 rental units comprised of 32 two-bedroom and 32 three-bedroom dwelling units. Unit sizes will be approximately 736 square feet for a two-bedroom unit and 1,104 square feet for a three-bedroom unit. One two-bedroom unit will be reserved for the manager. Twelve (12) of the units shall be designated as floating HOME-assisted units as defined in the HOME regulations at 24 CFR § 92.252(j).

B. HOME-ASSISTED UNITS

The project will consist of twelve (12) HOME-assisted units and that these units will be "floating". Final determination on the number of HOME-assisted units will be made once all financing commitments are confirmed. The HOME investment is expected to run approximately \$187,500 per unit, below HOME maximum per unit subsidy limits for 2017. The remaining fifty-one (51) non-HOME assisted units will be rented to individuals or families at or below 60% AMI for the County of Maui. One (1) unit will be reserved for an on-site residential manager.

Total proposed development cost is \$31,840,000. Based on proposed pro-rata share of development cost, a HOME investment of \$2,250,000 will require a minimum of twelve (12) HOME-assisted units.

Determination of Number of HOME Units:

\$ 2,250,000 HOME Funds  
\$31,840,000 Total Development Budget  
= .070, 7% of Development Budget

Fair Share Test:

7% x 64 units= 4.48 or 5 units, minimum.

Subsidy Limit Test:

2-bedroom: 6 x \$196,672= \$1,180,032

3-bedroom: 6 x \$245,431= \$1,472,586

Totalling \$2,652,618, above the \$2,250,000 HOME funding

To meet the Subsidy Limit Test, the project requires a minimum of twelve (12) HOME-assisted units.



C. FINANCING

The County plans to provide \$2,250,000.00 in total HOME funds. A Sources and Uses Budget, attached as Exhibit A, was prepared by Ikaika Ohana as part of their application to the County. The total development costs is estimated at \$31,840,000. The County finds the use of HOME funds to be reasonable and necessary project costs.

D. FORM OF HOME INVESTMENT

The HOME assistance will be in the form of a forgivable deferred payment loan. This loan will not be required to be paid back and forgiven if the project meets all of the requirements during the twenty (20) year affordability period.

E. HOMEMATCH

The 25% HOME match obligation will be satisfied using the County's banked contributions. Based on the HOME match log verification last conducted by HHFDC on in June 2017, Maui County has a match credit of \$13,828,923.26. This verifies that the current banked match credit is sufficient to offset the 25% match liability of \$562,500.00 needed for this project.

F. TERM OF AFFORD ABILITY

The minimum HOME affordability period is twenty (20) years. Because of other funding sources, a longer affordability period for the entire project will be in place. A deed restriction will be recorded to ensure that the minimum HOME twenty (20) year affordability period is met and enforceable.

G. ELIGIBLE FAMILIES/SELECTION PROCEDURES

The County requires an affirmative marketing plan to be implemented. Applications received by the submittal deadline will be placed in an application lottery. Ikaika Ohana and their selected property management company is required to conduct income verifications to certify household income at or below Low and High HOME AMI percentages for the County of Maui, as established by HUD. The County also reviews income verifications and source documents to ensure that participants are income eligible at the time each household begins tenancy.

H. CONSOLIDATED PLAN CONSISTENCY

The State of Hawaii Consolidated Plan (2015-2020) identifies the shortage of rental housing for low-income families as a housing goal. The State has identified HOME funds as a source to construct affordable rental housing. Based on these identified needs, Maui County believes that the proposed HOME activity is consistent with the State's Consolidated Plan housing objectives and priorities.

I. PROPOSED TIMEFRAME

Major project milestones include the following:  
Environmental Assessment Completion - Spring 2018  
Project Closing - Spring 2018  
Construction Start Date - Early Summer 2018  
First Building Completion - Fall 2018  
Project Completion - Fall 2019  
Certificate of Occupancy - Winter 2019  
Initial Occupancy Begins - Winter 2019

J. RELOCATION

The project site is vacant. Kaiwahine Villages, Phase I, will not cause temporary or permanent displacement of any individual or business to require payment of relocation costs pursuant to the Uniform Relocation Assistance and Real Property Acquisition Policies of 1970.

Kaiwahine Village I

ATTACHMENT "A" - USES AND SOURCES BUDGET  
(CONSTRUCTION)

<u>USE OF FUNDS</u>	<u>ACTUAL COST</u>	<u>HOME SOURCE</u>	<u>OTHER SOURCES</u>	<u>SOURCES OF OTHERS</u>
1. ACQUISITION				
1.1 LAND	<u>1.00</u>		<u>1.00</u>	<u>TAX CREDIT EQUITY</u>
1.2 EXISTING STRUCTURES				
1.3 OTHER(Legal)	<u>15.000</u>		<u>15.000</u>	<u>TAX CREDIT EQUITY</u>
2. PREDEVELOPMENT				
2.1 ARCHITECT FEE DESIGN	<u>960.000</u>	<u>369.000</u>	<u>591.000</u>	<u>R.H.R.F LOAN</u>
2.2 ARCHITECT FEE SUPERVISE	<u>24.000</u>		<u>24.000</u>	<u>R.H.R.F LOAN</u>
2.3 ENGINEERING FEES	<u>390.000</u>	<u>150.000</u>	<u>240.000</u>	<u>R.H.R.F LOAN</u>
2.4 COST ESTIMATES				
2.5 OTHER				
3. SITE WORK				
3.1 DEMOLITION				
3.2 SITE WORK	<u>3,733.000</u>	<u>1,556.000</u>	<u>2,177.000</u>	<u>R.H.R.F LOAN</u>
4. CONSTRUCTION/REHAB.				
4.1 NEW BUILDING	<u>17,547.000</u>		<u>17,547.000</u>	<u>CONST. LN/R.H.R.F</u>
4.2 HARD COST CONTINGENCY	<u>1,112,600</u>		<u>1,112,600</u>	<u>R.H.R.F LOAN</u>
4.3 REHABILITATION				
5. OTHER RELATED COSTS				
5.1 BLDG. PERMITS & FEES	<u>384.000</u>		<u>384.000</u>	<u>R.H.R.F LOAN</u>
5.2 APPRAISAL/MARKET STUDY	<u>60.000</u>		<u>60.000</u>	<u>R.H.R.F LOAN</u>
5.3 MARKETING/START UP	<u>25.000</u>		<u>25.000</u>	<u>R.H.R.F LOAN</u>
5.4 ENV. CONS./SOIL & OTHERS	<u>75.000</u>	<u>50.000</u>	<u>25.000</u>	<u>R.H. R.F LOAN</u>
5.5 PROFESSIONAL SERVICES	<u>384.000</u>	<u>125.000</u>	<u>259.000</u>	<u>R.H.R.F LOAN</u>
5.6 ATTORNEYS FEES	<u>244.000</u>		<u>244.000</u>	<u>TAX CREDIT EQUITY</u>
5.7 TAX CREDIT & COMP. FEES	<u>133.000</u>		<u>133.000</u>	<u>R.H.R.F LOAN</u>
5.8 ACCOUNTING & REIMBUR.	<u>1,200.000</u>		<u>1,200.000</u>	<u>R.H.R.F LOAN</u>
5.9 SOFT COST CONTINGENCY	<u>274.316</u>		<u>274.316</u>	<u>R.H.R.F LOAN</u>
5.10 OWNER'S CONTINGENCY	<u>638.400</u>		<u>638.400</u>	<u>R.H.R.F LOAN</u>
6. DEVELOPER'S FEES	<u>1,403.375</u>		<u>1,403.375</u>	<u>(Deferred during const.)</u>
7. INTERIM COSTS				
7.1 BOND ISSUANCE	<u>295.000</u>		<u>295.000</u>	<u>CONST. LOAN</u>
7.2 CONST./BRIDGE LOAN INT	<u>1,426.000</u>		<u>1,426.000</u>	<u>CONST LN/R.H.R.F</u>
7.3 CONST. LOAN ORIG. FEE	<u>380.000</u>		<u>380.000</u>	<u>R.H.R.F LOAN</u>
7.4 CONST. GUARANTEE FEE	<u>487.000</u>		<u>487.000</u>	<u>TAX CREDIT EQUITY</u>
7.5 CONST. MGMT/ TITLE/LEGAL	<u>134.067</u>		<u>134.067</u>	<u>R.H.R.F LOAN</u>
8. PERMANENT FINANCING FEES				
8.1 PERM.LOAN RATE LOCK.	<u>53.000</u>		<u>53.000</u>	<u>TAX CREDIT EQUITY</u>
8.2 PERM. LOAN ORIG. FEE	<u>34.667</u>		<u>34.667</u>	<u>TAX CREDIT EQUITY</u>
8.3 TITLE & RECORDING	<u>25.000</u>		<u>25.000</u>	<u>TAX CREDIT EQUITY</u>

8.4 PERM. LOAN LEGAL	<u>49,067</u>	<u>          </u>	<u>49,067</u>	<u>TAX CREDIT EQUITY</u>
8.5 INSURANCE/OTHER	<u>62,507</u>	<u>          </u>	<u>62,507</u>	<u>TAX CREDIT EQUITY</u>
9. TENANT RELOCATION	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
10. PROJECT RESERVES	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
10.1 LEASE-UP RESERVE	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
10.2 OPERATING RESERVE	<u>291,000</u>	<u>          </u>	<u>291,000</u>	<u>Deferred during const</u>
11. PROJECT ADMIN/MGMT.	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
11.1 AFFIRMATIVE MKT.	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
11.2 MANAGEMENT	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
11.3 TAXES	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
11.4 INSURANCE	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
12. TOTAL USES (DEVELOPMENT)	<u>\$31,840,000</u>			
13. TOTAL SOURCES	<u>\$31,840,000</u>	<u>\$2,250,000</u>	<u>\$29,590,000</u>	
14. DIFFERENCE	<u>\$ 0.00</u>			

**THE CONSTRUCTION LOAN WILL BE PAID OFF UPON COMPLETION OF THE PROJECT AND THE SOURCES OF FUNDS AT THE PERMANENT PHASE WILL BE AS FOLLOWS:**

1) PERMANENT LOAN	\$ 2,650,000
2) FED. 4% TAX CREDIT EQUITY	\$12,241,655
3) STATE 4% TAX CREDIT EQUITY	\$ 3,907,302
4) RENTAL HOUSING REV. FUND	\$ 10,240,000
5) HOME FUNDS LOAN	\$ 2,250,000
6) DEFERRED DEV. NOTE	<u>\$ 551,043</u>
7) TOTAL DEVELOPMENT	\$ 31,840,000

## **HOME Investment Partnerships (HOME) Selection Criteria**

The County reserves the right to accept or reject any or all proposal applications. A selection committee made up of County officials and/or members from the community will review and evaluate the proposal applications and provide a recommendation to the Director of Housing and Human Concerns for her consideration. A proposal application must score a minimum of 100 points (out of a possible 200 total points) in order to be considered for recommendation. An entity must also have or be able to obtain CHDO designation prior to recommendation if applying for CHDO funding. An entity may receive 100% of its requested amount of funding or a percentage of its requested amount of funding. The criteria that will be used to evaluate the proposals will be as follows:

**1. Housing Need**

Applicant clearly describes a need for type of project/program being developed. Up to 10 points

**2. Consistency with Five Year Consolidated Plan**

Is project/program consistent with the County's Five Year Consolidated Plan for the period July 1, 2015 to June 30, 2020. Up to 10 points

**3. Specialized Experience**

a. Applicant or Developer demonstrates the experience and the ability to successfully implement the proposed project or program in a timely and on-going manner. Up to 20 points

b. Applicant or Developer has the staff capacity to carry out the development of the proposed project or proposed program. Up to 20 points

**4. Project Readiness**

a. Applicant has site control. Up to 20 points

b. Federal and State Environmental Assessment or Environmental Impact Statement is completed or applicant has a program plan that includes program participant selection plan, verification of participant eligibility plan and documentations (application, verification of income, rental assistance or mortgage documents, etc.). Up to 20 points

- c. Applicant clearly demonstrates that project construction will start within 8 months of commitment of funds (execution of agreement), at least one disbursement of program funds will be made within 12 months of commitment of funds, and construction will be completed within 24 months of commitment of funds. Or, applicant clearly demonstrates that program will start within 90 days of commitment of funds and at least one disbursement of program funds will be made within 12 months of commitment of funds. Up to 20 points
  
- d. Development or program schedule demonstrates a reasonable time frame. Up to 10 points
  
- e. Applicant has the proper land designation or has approval of zoning change, district boundary amendment, community plan amendment or 201 H Variances. Up to 10 points
  
- f. Applicant presents a reasonable development budget or reasonable budget for a HOME-eligible program, sources and uses statement, and operating pro forma (if applicable) for the project. Up to 20 points

**5. Leverage**

- a. Applicant has secured commitment of other non-County resources, including private funds, public funds (other than County HOME, County CDBG and in lieu fees from County affordable housing requirements) and recipient contributions. Up to 20 points
  
- b. Percentage of County funds (including but not limited to HOME, County CDBG, Affordable Housing Fund and in lieu fees from County affordable housing requirements) to total project funds (Applicant is maximizing use of non-County funds). Up to 20 points

**Total up to 200 points**