AFFORDABLE HOUSING COMMITTEE

Council of the County of Maui

MINUTES

February 5, 2020

Council Chamber, 8th Floor

CONVENE: 1:33 p.m.

PRESENT: VOTING MEMBERS:
Councilmember Tasha Kama, Chair
Councilmember Michael J. Molina, Vice-Chair (out at 3:55 p.m.)
Councilmember Riki Hokama
Councilmember Kelly Takaya King (out at 3:13 p.m.)
Councilmember Alice Lee (in at 1:41 p.m.)
Councilmember Tamara Paltin
Councilmember Keani N. W. Rawlins-Fernandez (in at 1:35 p.m.)
Councilmember Shane M. Sinenci
Councilmember Yuki Lei K. Sugimura

STAFF: Alison Stewart, Legislative Analyst
Stacey Vinoray, Committee Secretary

Zhantell Lindo, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Mavis Oliveira-Medeiros, Council Aide, Hana Council Office (via telephone conference bridge)

Sarah Pajimola, Executive Assistant to Councilmember Keani Rawlins-Fernandez

ADMIN.: Mimi DesJardins, Deputy Corporation Counsel, Department of the Corporation Counsel
Linda R. Munsell, Deputy Director, Department of Housing and Human Concerns
Clyde "Buddy" Almeida, Housing Administrator, Department of Housing and Human Concerns

OTHERS: Delene Osorio
Michael Williams, Stand Up Maui, Maui Tomorrow
Cassandra Abdul, Executive Director, Na Hale O Maui
Autumn Ness
Tom Blackburn-Rodriguez, Executive Consultant, Go Maui Inc.

Rick Jacobus, Principal, Street Level Advisors
Brian Ige, Construction Manager, Dowling Company
Kellie Pali-Cruz, Owner, Creative Financial, LLC

Additional attendees (10)

PRESS: *Akaku--Maui County Community Television, Inc.*

ITEM AH-: BIENNIAL REVIEW OF RESIDENTIAL WORKFORCE HOUSING POLICY (CHAPTER 2.296, MAUI COUNTY CODE) (CC 17-290)

CHAIR KAMA: . . .*(gavel)*. . . The meeting of the Affordable Housing Committee will now come to order. Today is February 5, 2020 and it is now 1:33 p.m. I would like to ask each and every one of you to please silence your noise-making devices. Good afternoon everyone, my name is Tasha Kama and I am the Chair of the Affordable Housing Committee. I'd like to go around and introduce everyone who's here this afternoon, beginning with Vice-Chair Mr. Mike Molina. Aloha auinala, Mike.

VICE-CHAIR MOLINA: Aloha, Madame Chair.

CHAIR KAMA: Also going over to my left, Mr. Shane Sinenci, aloha.

COUNCILMEMBER SINENCI: Aloha Poakolu, Chair.

CHAIR KAMA: Aloha Poakolu. And coming down the row to South Maui for Ms. Kelly King, aloha.

COUNCILMEMBER KING: Good afternoon and aloha.

CHAIR KAMA: Good afternoon. And moving right along with Mr. Riki Hokama, Councilmember for Lanai.

COUNCILMEMBER HOKAMA: . . . *(inaudible)*. . .

CHAIR KAMA: Thank you for being with us. Also, Ms. Tamara Paltin, good afternoon.

COUNCILMEMBER PALTIN: Good afternoon, aloha awakea. Go easy on these guys. They worked hard this morning.

CHAIR KAMA: I got your message. So, I am going to go easy on them because your PSLU Chair said to, and she said you all worked so hard this morning and we only have one item on the agenda. So, that's easy for us today. And going on to Ms. Yuki Lei Sugimura, welcome.

COUNCILMEMBER SUGIMURA: Good afternoon, Chair.

CHAIR KAMA: Thank you for being here. Our Chair Alice Lee who's a member of the Committee is not here at this time but certainly is welcome when she is able to. And yes, sprinting down, Ms. Keani Rawlins-Fernandez, welcome.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aloha auinala, Chair.

CHAIR KAMA: Aloha. And now I would like to introduce the Department of Housing and Human Concerns Deputy Director, Ms. Linda Munsell, aloha.

MS. MUNSELL: Good afternoon, Chair.

CHAIR KAMA: Also, Mr. Buddy Almeida from the Housing Division, Manager, he'll be here later. Okay. Also, with Corp. Counsel is Mimi DesJardins. Aloha, Mimi.

MS. DESJARDINS: Aloha, Chair.

CHAIR KAMA: And our Committee Staff is Alison Stewart, our Legislative Analyst, aloha.

MS. STEWART: Aloha, Chair.

CHAIR KAMA: Also, Ms. Stacey Vinoray, our Committee Secretary.

MS. VINORAY: Aloha.

CHAIR KAMA: And I think Anna is probably watching from someplace up there, or down there. Also, if we have our remote staff listening today with, from Hana, Ms. Mavis Oliveira-Medeiros. Are you there, Mavis, hello? We're going to talk to her later?

MS. STEWART: If there's any testifiers.

CHAIR KAMA: If there's testifiers. Okay. And also, we wanted to say hello to Ms. Zhantell Lindo from Molokai, and Ms. Denise Fernandez from the District Office of Lanai. And today we're going to have other resources, Ms. Rick Jacobus, the Principal Street Level Advisor who is participating via video conference. We have with us also Mr. Brian Ige, Construction Manager from Dowling Company Incorporated, Ms. Kellie Pali who's the Loan Officer with Creative Financial Hawaii. Kellie also serves as a Maui County Planning Commission member, but she is not here in that capacity. So, Members, welcome to today's meeting of the Affordable Housing Committee. There is a single item on the agenda, and it is the Biennial Review of Residential Workforce Housing Policy, Chapter 2.96, Maui County Code, or AH-10. The intent of the Residential Workforce Housing Policy is to encourage the provision and maintenance or residential workforce housing units, for both purchase and rental, to meet the needs of income-qualified households for the workforce, students, and special housing target groups. Chapter 2.96, Maui County Code, directs the Council to review the Policy every two years. So, at this time, Members, I'd like to open up for public testimony on this agenda item. If anyone would like to testify, please sign up with our Staff. Testimony will be limited to three minutes and you will receive a notification when you have reached two-and-a-half minutes and then when you run out of time. When testifying, please state your name for the record, identify if you are testifying for a group, a business, or organization, and also please state if you are a paid lobbyist. But, Members, I'd like to be able to call on our District Offices first.

. . .BEGIN PUBLIC TESTIMONY. . .

CHAIR KAMA: Do we have any testifiers, Alison?

MS. STEWART: There are no testifiers in the District Offices at this time.

CHAIR KAMA: Thank you, Ms. Stewart. So, we'll go back and check again after we've done our testimonies in the Chambers. So, with that being said, Alison, would you like to be able to please call our first testifier?

MS. STEWART: The first testifier in the Chambers is Delene Osorio, testifying on behalf of herself.

MS. OSORIO: Good afternoon.

CHAIR KAMA: Good afternoon.

MS. OSORIO: Thank you for this opportunity. The comments that I'm going to make relate to AMI percents at 60 percent and below. So, I might be saying something that doesn't apply for the other types of subsidies that there are out there. My name is Delene Osorio. I'm speaking on behalf of myself. I've been a property manager for 19 years in Hilo dealing only with housing that's at 60 percent and under. What I wanted to address, a couple of things in, to start off with, in 2.96.090 applicant selection ownership B(3) states, have gross annual family income, not to include income of minors, which doesn't exceed 140 percent of the County's area median income. That's a provision in the sales part. However, in the rental part there is no cap. So, the example that I gave you, there could be a family that lives here that sold their home, they have a half-a-million dollars that they put in the bank, it's a family of two, which might qualify for a two-bedroom unit, and there could be a family of four out there that really need housing. But first family that sold their homes up on the waitlist, they would be housed first. So, the family that really needs the housing will sit there and wait until the next unit becomes available. So, I would really suggest that the Council consider putting a cap on assets. Somebody could have half-a-million dollars, or a million dollars in the bank and still qualify for subsidized housing. For the Council's consideration too, 2.96.100, the applicant selection process, it states that the developer's partner or management company has to provide copies of the following information, applicant's completed final rental app, the rental lease, all Federal and State tax returns to determine eligibility. In the rental area, there is already a company that does the audit of all files when the tenants move in because the tax credit investor must be assured that tenants are eligible. So, there's that one process, every year HHFDC hires a company to audit all the files, that's the second process. So, for the County's Housing Division to go through another audit would seem to be a little overkill. And if there's HUD involved as well, that's a fourth audit. So, do yourselves a favor. I see my time ticking down so I'm getting nervous now. Every year a report has to be made by February 1st. So, if there's a way of combining the reports to make everybody's life easier, that would be much better. There's another one here way at the bottom, the way of combining, and the last thing is, Residential Workforce Affordable Housing Policy, can we make it an easier name like just Affordable Housing Policy? Twelve seconds left; I'm done. Thank you. Questions?

CHAIR KAMA: Members, do you have any questions for the testifier?

MS. OSORIO: No? Good.

CHAIR KAMA: Seeing none, thank you.

MS. OSORIO: Thank you.

CHAIR KAMA: Ms. Stewart?

MS. STEWART: Next to testify is Michael Williams, testifying on behalf of Stand Up Maui and Maui Tomorrow, to be followed by Cassandra Abdul.

MR. WILLIAMS: Aloha, Chair --

CHAIR KAMA: Aloha.

MR. WILLIAMS: --Councilmembers. I hope my welcome's not wearing too thin yet. But I felt that, there's a couple things, a couple points I really want to make today about 2.96 and the inclusionary zoning policies of the County. And I'm speaking on behalf of Stand Up Maui and Maui Tomorrow here. The first is that, we think it's too early to be reviewing this policy in depth. You really need to be reviewing it as part of a comprehensive Countywide planning...plan and see how tweaks to the inclusionary zoning policies can fit into that. Right now, our other frustration with 2.96 is that the, we think two thirds of the need for housing here is for the 80 percent and below AMI, and almost all of that needs to be rentals, and we don't believe you can tweak 2.96 in any significant way that will keep the developers interested in it that's going to provide that range of housing. You know, we think that's going to have to be on County land with County infrastructure subsidy. So, we urge you to get expert advice on how to tweak 2.96 and to make it part of your comprehensive Affordable Housing Plan. And we're frustrated that we haven't got that up for action yet by this Committee. One tweak that I do think you should do, if you're going to go ahead and tweak it yourself without expert advice, is to eliminate the exemption for the Wailuku Redevelopment District. We think that you should reestablish the workforce housing requirement for any new hotel or any other new market type housing developments in Wailuku. That's all I have to say. Thank you.

CHAIR KAMA: Members, questions? Seeing none, thank you very much. Ms. Stewart?

MS. STEWART: The next testifier is Cassandra Abdul, testifying on behalf of Na Hale O Maui, to be followed by Autumn Ness.

MS. ABDUL: Oh, tall people. Aloha, Chair and Councilmembers. Thanks for reviewing workforce housing, the biennial review, and we would like to offer a few comments with our experience because we do go to the Affordable Housing Fund and we do fall under the workforce housing policies with our clients. Our clients, our organization is a 501(c)(3). It was approved by the IRS up to 140 percent of the area median income because, specifically because of the high cost of housing, and the high cost of living in Maui County. So, the IRS approved that up to 140 percent. We're governed by the funding that we receive. So, funding that we have received to date from the County Affordable Housing Fund has gone up to 120 percent of the area median income. Our homeowners, and we have 34 right now, we're almost ready to add 12 to that, about half are below 100 percent of AMI, and the other half is above 100 percent of AMI, up to 120. So, we feel that the current range that is, was approved by the voters and by the Council way back when are appropriate and they should remain as they are under 140 percent AMI although we don't go up that high. We believe that restricting any funding or restricting the policies is actually going to have unintended consequences of delivering less housing, not more. It would certainly affect our program; about half of our program we could not move forward with. And this is our workforce, these are people that work for you, they work for the County, they're firemen, they're policemen, we have a lot of teachers that are homeowners. They need housing if we want to keep them here. You know that we start every year short with teachers in this State and in Maui County and we can't keep them here, why, high cost of housing, high cost of living. This is a policy that works to help provide it. I would love to see you rather than restricting the policy and making it more difficult, to actually expand it so we can help more families, more people find housing here in Maui County. And we do, we appreciate very much all you have done for us as an organization, as a County for our homeowners who are very grateful for their housing. So, we'd like to continue to work with you and provide more housing for our workforce here in Maui County. And I would be happy to answer any questions that you have.

CHAIR KAMA: Members, questions? Yes, Mr. Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. And thank you, Ms. Abdul, for being here. My question was, do you see, where is the demand, where does the demand lie? Do you see more of the low AMI, 80 percent and below, or above 100 percent AMI?

MS. ABDUL: Okay. Well, not to be facetious, but basically the demand is all the way across the board, even in market-rate houses for doctors who we're short of also, right? But there are different kinds of housing that we provide. And when you're talking about 80 percent and below, you're talking about public housing. You're not talking about for-sale housing which most people want. If you talk to your employees, they want to be able to buy a home. We've actually had some issues selling condos at affordable prices because people still want to have homes and garages that they can load up with all their stuff. I do understand that when you look at the percentages that the larger percentage falls on the lower end of the range. But I don't think that you can ignore the rest of the range either. Seventy-five percent may be 100 percent and below, but where's the rest, the 25 percent? I mean, you know, 20, 25 percent is up to 120 percent. So, it's, I don't know how you can fix a big problem that's very complex and interrelated by only managing one small area of it. I think we need to address the entire housing issue. And I hope I answered your question.

COUNCILMEMBER SINENCI: Yes, you did, and a follow-up, Chair?

CHAIR KAMA: Go ahead.

COUNCILMEMBER SINENCI: Just a question. So, Na Hale O Maui has the resources to address those higher AMI percentages?

MS. ABDUL: We have with the help of the Affordable Housing Fund, with other outside grants, and donations from entities and individuals.

COUNCILMEMBER SINENCI: Okay.

MS. ABDUL: So, yes, we don't totally rely on the funding that we get from the Affordable Housing Fund. We do take those funds and then amplify them with other funds. If we were restricted to only 100 percent of AMI and below, that would basically make half of our mandate, half of our mission very, very difficult for us to fulfill because you cannot do affordable housing without subsidies by government, you just can't.

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

CHAIR KAMA: Yes, Ms. Keani Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Aloha, Ms. Abdul, mahalo for your testimony. Does Na Hale O Maui have a shared equity formula?

MS. ABDUL: We absolutely do. We've had six resales and every single of our homeowners left with more than they came in with, including shared subsidy. We start in the first 5 years at 25 percent of the shared subsidy if there is any appreciation. And we only share on that portion that the family invests because they don't buy the land they don't share in any appreciation on the land either. So, there's a formula. And it goes up 2½ percent a year until you hit the 15th year which is our magic number at which point they share 50 percent. So, they start at 25 percent, they go up to 50 percent. And as I said earlier, up to date, all of our resales, they have left with shared appreciation.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo. Mahalo, Chair.

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

CHAIR KAMA: Yes, Ms. Tamara Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. Thank you, Ms. Abdul, for being here. Hauoli makahiki hou, and thanks for all your hard work on this issue.

MS. ABDUL: My pleasure.

COUNCILMEMBER PALTIN: I had a couple questions. I didn't fully catch, understand your answer to Council Vice-Chair Rawlins-Fernandez, the part where you were speaking about the shared subsidy, 25 percent of shared subsidy. Can you clarify that part? I'm not…

MS. ABDUL: Yes, absolutely. It is shared appreciation. So, the formula's a little bit complicated. But basically, when we sell a house, we get an appraisal, a fee simple appraisal. And then, we look at what we actually sell the house for to our families. So, example, let's say the house is appraised at 400,000 and we sell it for 300,000. So, if you divide 300 by 400,000, you get 75 percent, right, three-fourths. So, now let's say in five years the value, the appraised value has gone up by $100,000, we get a second appraisal. Okay. So, of that $100,000, we apply that first ratio, the 75 percent, so now there's 75,000. And of that 75,000, that is what we share with the homeowner depending on how long that they've lived there. In this example, if it was 5 years, they'd get 25 percent of that. If it was 15 years, they'd get 50 percent of that, and it ranges in between, depending on how many years you've been there.

COUNCILMEMBER PALTIN: So, 25 percent of the…

MS. ABDUL: Seventy-five thousand.

COUNCILMEMBER PALTIN: Okay. Thank you. And then, that was just a follow-up on Council Vice-Chair's question. May I ask my own question?

CHAIR KAMA: I'm going to give you a break, of course.

COUNCILMEMBER PALTIN: Thank you. I just was wondering if the County had say 50 lots in the Fairways area, would you consider putting that into your land trust to provide housing for the 80 to 120 percent AMI group?

MS. ABDUL: If in a perfect world, if this was very straightforward, absolutely, without a doubt. But there are a lot of issues connected with that particular area. And I actually did some preliminary work on it several years ago that I would be happy to share with you. But I have concerns about the age and the condition of the infrastructure. I have concerns about future litigation by adjacent neighbors. I have concerns about the elevations, and, you know, once you start moving that soil if I could I'd probably look more on the side that's not on the steep drop-off, I'd be happier with those lots. But I also think you have issues with water runoff and where it goes. There's no agreement with Maui Lani to allow you to have the water runoff into the golf course. There are just a lot of unanswered questions. And anyone who understands development or construction would want a due diligence period so that they could examine all of those issues.

CHAIR KAMA: And we can talk about that in EDB.

COUNCILMEMBER PALTIN: And if you could e-mail that to me that'd be awesome.

MS. ABDUL: Sure.

COUNCILMEMBER PALTIN: Tamara.paltin@mauicounty.us.

MS. ABDUL: I would be happy to. It was a real fast and dirty look at it when I was actually, I think in another conference in Honolulu at the time that I was asked. But I'm happy to share that with you.

COUNCILMEMBER PALTIN: Thank you so much.

CHAIR KAMA: Ms. Sugimura?

COUNCILMEMBER SUGIMURA: So, that wasn't on the agenda. But it sounds like we should sell the lots then. And what you're speaking to, Cassandra, is about another item, which we had a Charter amendment about affordable housing funds and how it should be used. And I think you answered an important change that we made by talking about the AMI's. We cut it to 100 percent I believe, but you're saying it's easier to use affordable housing funds if it's left at 140 percent AMI from your work experience.

MS. ABDUL: From my experience and my opinion, you'll get more housing if you leave it the way it is than if you restrict it. If you reduce it to 100 AMI, you don't have the ability to help people above that. And if you look at our organization, that would be half of our housing.

COUNCILMEMBER SUGIMURA: Wow, important. Not on the agenda, but in the agenda. Thank you.

CHAIR KAMA: You all are so smart. Any other questions? Thank you.

MS. ABDUL: Thank you very much --

CHAIR KAMA: Ms. Stewart?

MS. ABDUL: --and thank you all for all you're doing. I appreciate it.

MS. STEWART: Next testifier is Autumn Ness, testifying on behalf of herself, to be followed by Tom Blackburn Rodriguez.

MS. NESS: Aloha, Committee Members. My name is Autumn Ness. I'm here to implore you guys to understand how important permanent affordability is to be included in rules around workforce housing and the Affordable Housing Fund, and quickly, before any other homes are built using affordable housing funds. I know that you've probably heard, and you might here today that equity built through the appreciation of a starter home is the only way for middle class families to build wealth so that we shouldn't restrict home appreciation. And that's partly true in a standard housing market, whatever that means these days. But we are not standard. You all know that Maui's market caters to off-island investment interests. A third of our homes are sold to off-island buyers. That will not change. We're highly volatile. In 2018, the median price of a home was 688,000. And now it's upwards of 840,000. Yes, these are market trends. But we have the power to insulate a small power...portion of an affordable housing inventory from these forces. We don't have to subject our entire workforce to them, especially when we're talking about homes that have been subsidized by our taxpayers through our Affordable Housing Fund. Many successful resort-based economies in highly volatile investor focused housing markets successfully built an inventory of affordable workforce housing by making subsidized affordable housing affordable in perpetuity. Are the owners of those units upset that they're not building equity in Aspen, for example? No, because the reality of the situation is this. Right now, a large portion of our community doesn't even have the brain space to think about building equity because they will never be able to buy a home. And more than that, they're actually worried about what happens every single day if their landlord decides to sell the house they're renting or turn it into a short-term rental, or just jack up the rent because they can. Right now, if you lose your rental on Maui, you are screwed. It is a life changing event and that is not an exaggeration. Seriously, try to find a house right now on an average income to rent. It has the capacity to ruin your life. A majority of our workforce who wants to buy a house wants to do so because they want a home that they can't be evicted from, a home not to flip, a home that they can feel secure in to know that they will have a place to live next year and the year after that. It's that simple, it's Maslow's Hierarchy of Needs. You can't worry about building wealth if your stomach is empty, if you're hungry, right? Same thing, we can't worry about building wealth if we are worried about being kicked out of our home every day. Right now, every renter on this island is housing insecure, subject to the whim of their landlord, and that's the truth. If people understood in our community right now how important permanent affordability is and how it would affect their ability to rent homes on Maui, I could pack this room with our workforce. But they just don't understand it. I'm not saying that every home should be affordable in perpetuity. If someone wants to use their home to build equity for themselves, they should do so. I'm saying that homes that are subsidized with our tax dollars and that are built as a requirement of 2.96 should be affordable in perpetuity because housing is a right for our workforce and should be insulated from the market. Thank you.

CHAIR KAMA: Members, questions? Yes, Ms. Lee?

COUNCILMEMBER LEE: Thank you, Madam Chair. Hi, Autumn.

MS. NESS: Hi.

COUNCILMEMBER LEE: So, were you on a TIG previously in a previous term?

MS. NESS: I was.

COUNCILMEMBER LEE: You were. And what were the top three hurdles to obtaining affordable housing did you, did your group discuss?

MS. NESS: That TIG to be clear, was put together under the Planning Committee. So, we talked specifically about Planning things as they relate to Planning. So, permanent affordability wasn't in there. But we did discuss offsite infrastructure costs as being huge, and also the planning process itself because time is money, and the unpredictability of the amount of time that it takes to get your permitting and stuff, those are the two main things that like shown above the rest. And then there was a whole list, but those are the two big ones.

COUNCILMEMBER LEE: So, did you also discuss--I know this is in another Committee, but it's still affordable housing--any kind of demonstration project relative to the Maui Lani 50 lots?

MS. NESS: We did, and to make the answer short, the TIG came up with a recommendation to sell those lots because at the time of the TIG, we were unable to get some really important documents, including the CC&R's, and things that, background information about those lots. After the TIG was disbanded and this topic came up again, those documents that were unavailable to us in the beginning became available to us, including the CC&R's. So, I could go on for days. But I won't do it right now. My personal opinion about those lots has changed, and I can give those to you later. But they're not the same, I agree with the TIG in the beginning because we had, we were missing a lot of information.

COUNCILMEMBER LEE: Madam Chair, can we ask Ms. Ness if she could be a resource person?

CHAIR KAMA: Of course, Ms. Ness? Yes.

MS. NESS: I'd be happy to, yeah. Thank you.

COUNCILMEMBER LEE: Thank you. Thanks.

CHAIR KAMA: Any, yes, Ms. Paltin, then Ms. Rawlins-Fernandez.

COUNCILMEMBER PALTIN: I'll reserve my, she's gonna, if she's going to be a resource person, I'll reserve it so that we don't take up additional time 'cause these guys work so hard.

CHAIR KAMA: She's so nice to you folks even in the afternoon. Yes, Ms. Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Real quick, I'll just see if Ms. Ness wants to answer or reserve her comments for when she's brought back down as a resource. Mahalo for your testimony, Ms. Ness. So, a lot of times people get alarmed at the word perpetuity. And I know that was included in your testimony. So, when you're saying this, and you know, other comments in your testimony, are you saying that you wouldn't support buyers of subsidized homes, you know, gaining any benefit or making any money off of the homes after resale?

MS. NESS: No, that's not what I'm saying. I'm saying that we kind of coined the term when, with, in Elle's office, managed appreciation. So, affordable, affordability in perpetuity people think that it's just a flat like zero, nothing's ever going to happen. I'm talking about managing the appreciation. So, the last time I was in front of you guys, I don't know if you remember, we talked about this really basic formula where you appraise the house upon purchase, you appraise the house upon sale, and the difference, how much it appreciated, you apply a 25 percent ratio to that, if that's what we decided to go with, and then, that's the amount that you're allowed, or sorry, let me back up, let's say you buy a house that has been subsidized for 25 percent. So, a $100,000 house is $75,000, that's what you paid for, right? So, that's the ratio that runs with the, with your deed, with your land for the rest of eternity. And when you go to sell that house, that same ratio gets applied upon, to the appreciation, to the, what's the word I'm looking for, appraisal, thank you, upon the sale. So, that's not a small amount of money. That, the amount of money that you could make if you live in that house and apply that ratio is the house for your next or is the down payment for your next home. So, I'm not saying…and plus, you haven't been dumping rent into a black hole. You've been actually saved; you get all your rent money back and money for a down payment. So, it's managed, it's a managed appreciation formula. Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Ms. Ness.

MS. NESS: Sorry.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

MS. NESS: Okay. Thank you.

CHAIR KAMA: Anyone else? Thank you. Ms. Stewart?

MS. STEWART: The final testifier we have signed up is Tom Blackburn Rodriguez, testifying on behalf of Go Maui Inc.

MR. BLACKBURN-RODRIGUEZ: Good afternoon --

CHAIR KAMA: Good afternoon.

MR. BLACKBURN-RODRIGUEZ: --Chair Kama and Members of the Affordable Housing Committee. First of all, let me also say thank you for all the hard work you're doing.

This is kind of like trying to untie my children's shoelaces. I have no idea how the knot got so tight. But thank you very much for your work. My name is Tom Blackburn Rodriguez. I'm speaking on behalf of Go Maui on agenda item Biennial Review of Residential Workforce Housing Policy. More information about Go Maui can be found at gomauiinc.org. Go Maui endorses the income distributions under the current version of 2.96. If the income categories of 80 to 140 percent of AMI were eliminated, it would wipe out the value of the Affordable Housing Fund for police officers, experienced firefighters and EMT personnel, special education teachers, community and social service workers, healthcare support workers, librarian technicians, correctional officers and jailers, among others. These are essential workers who desperately need workforce housing and we need to keep them here and not push them out to the mainland. What citizen will vote to take an increasing percentage of our tax revenue to fund a program from which they once were a part of and now are being excluded? This could fatally fracture the community consensus on affordable housing funding. According to the most recent US Census data, the median income for Maui County is $77,114. According to the REALTORS® Association of Maui, the median sale price in December 2019 for a single-family home was $740,000, an increase of 4.6 percent over 2018. The RAM affordable housing index measures housing affordability for the region. For example, an index of 120 means the median household income is 120 percent of what is necessary to qualify for a median-priced home under prevailing interest rates. A higher number means greater affordability. Unfortunately, currently, the RAM affordable housing index stands at 45, a decrease of 2.2 percent from the same period in 2019. With all due respect, this is not the time to change horses in midstream. We do not need to tweak income levels. Any suggestion that we can waive a wand and order developers to build housing for income groups we are abandoning is not realistic. We do not live in a government planned and command economy. The solution is to work together to do what it takes to build thousands of new housing units, including single-family homes, rentals, and experimental homes. In closing, Go Maui endorses the income distributions under the current version of 2.96. And again, we thank you for your work. Aloha.

CHAIR KAMA: Members, questions? Yes, Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Thank you, Mr. Blackburn Rodriguez. You're always so organized. Do you have that in writing, your testimony?

MR. BLACKBURN-RODRIGUEZ: Yes, I do have it in writing and I --

COUNCILMEMBER SUGIMURA: *. . .(inaudible). . .*

MR. BLACKBURN-RODRIGUEZ: --practice it ahead of time.

COUNCILMEMBER SUGIMURA: So, you're going to submit it to us?

MR. BLACKBURN-RODRIGUEZ: Yes, I can, I have a copy and I, I'll give it to the Clerk, yes.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR KAMA: Thank you.

MR. BLACKBURN-RODRIGUEZ: Thank you very much and a Happy New Year to everyone. Aloha.

CHAIR KAMA: And the same to you. Thank you. So, do we have any testimonies from the District Offices, Alison?

MS. STEWART: No, there's no testimony in the District Offices.

CHAIR KAMA: Okay. Is there anyone else in the galley that would like to testify? Okay. Seeing none, without objections, Members, I'd like to close public testimony.

COUNCILMEMBERS VOICED NO OBJECTIONS.

. . .END OF PUBLIC TESTIMONY. . .

CHAIR KAMA: So, we're going to have…so, we should take a break now, right? Okay. I'm going to ask for a very short recess. So, you all don't move 'cause we're going to get Mr. --

COUNCILMEMBER SUGIMURA: Setup.

CHAIR KAMA: --Jacobus on video. Okay. So, recess until 2:15. *. . .(gavel). . .*

RECESS: 2:09 p.m.

RECONVENE: 2:15 p.m.

CHAIR KAMA: *. . .(gavel). . .* It is now 2:15 p.m. and the Affordable Housing Committee will now reconvene. Aloha, Mr. Jacobus. My name is Tasha Kama, and I am the Chair of the Affordable Housing Committee. I just want to say thank you for joining us this afternoon. I'm not sure how much you can see of all of us. But --
((02:02:48))
MR. JACOBUS: I can.

CHAIR KAMA: --I'm hoping that at some point in time you'll be able to see us all and we'll be able to ask questions of you after your presentation and probably introduce themselves to you. So, let me just continue with what I was going to say. So, Members, we have before us Mr. Rick Jacobus who is the Principal of Street Level Advisors, who is a nationally recognized expert in inclusionary zoning and affordable housing. He's going to be talking to us about the, to help us understand the Maui County Code 2.96. So, he'll be doing a presentation to all of us. And then, when he's done, we have an opportunity to ask questions of him. And then when he's done, he's going to have to go and then we'll continue on with the other resources that we have here. So, Mr. Jacobus, it's all yours, and thank you.

MR. JACOBUS: Aloha and thank you for having me. I don't have much of a presentation. I just got yesterday sort of the beginning of questions about what you're trying to explore today. So, my hope is I can say a few words at the beginning and then you'll have questions for me. Let me tell you a little bit about myself and my background and then I can address the one question that I got from Alison. So, I'm a consultant and I work on inclusionary housing all over the United States. I'm based in Oakland, California. I've been working in recent years in San Francisco and San Jose, in Minneapolis, and Denver, and Seattle. And for the last few years I've also been working in Honolulu. So, I have some context from Hawaii. And I work on a range of policies that we call inclusionary housing but it's really any of the policies where a local government is requiring affordable housing from the market rate housing development, or when we're building market-rate housing, we require some affordable units. And so, your workforce ordinance is a fairly typical example of that kind of policy. And I do work on both the design of these policies, and also the implementation, how do we do a good job of actually managing those units once we've built them, in addition to, how do we, what do we require and what, how do we target the program. The, I wrote a book a few years back about inclusionary housing which gave me a chance to survey what people do across the country. And I developed a website which is called inclusionaryhousing.org which you might find helpful for an organization called Grounded Solutions Network. And we collected up examples of inclusionary policies and the, sort of how communities deal with some of the questions that you inevitably run into as you try to implement one of these programs. And they also have on that website a very helpful database of policies. And there are more than 800 inclusionary housing programs that they've been able to identify, spread across the United States. And they have collected some information about the sort of characteristics of the different programs. So, what income level do they target, what percent of the units do they require be affordable, how long do they keep them affordable. These are I think the kinds of questions that you're struggling with for Maui County. And so, you can look and see how different the different programs are one to the next. And there really are quite a few differences even though they're, they have a similar structure. The one question that Alison asked me to address was the question of what's the right percentage of units to require in an inclusionary housing program. How, you know, what share of the housing should be affordable? And the, you know, it seems like the kind of question where there'd be a single answer that would make sense, should be the same everywhere, that it should always be 10 percent, or always be 20 percent. But the, it turns out to be a much more complicated question. And so, I just want to mention three of the . . .*(inaudible)*. . . that answering that question and say a little bit about how we tend to address that question in other places. And the first thing which I suspect you're all fairly familiar with is the idea that it costs a lot more for a developer to make a unit affordable at 50 percent of median income, or 80 percent of median income, than it does if the unit is affordable at 120 or 140 percent of median income. The discount is much greater. And so, really the question of like what's the right affordability requirement is actually, you know, not, like we tend to answer it in terms of percentage of units. But it's really not a single answer in terms of the percentage of units. The question is actually, how much can we expect a market-rate project to contribute to the affordable housing needs in our community. And then, there's a second question which is, what do we do with that contribution? . . .*(inaudible)*. . . do we serve, how do we structure that, what's the right way to target that resource. But the two different programs might have the same impact on a developer's bottom line, and one of them would provide 10 percent of the units for fairly low income residents, and another might provide 20 percent of the units to a much higher targeted income group, and they might have the same total cost to a project. And so, those are two separate questions that you can wrestle with. And there's no reason to try to answer them both in the same breath. You know, you can separate them out. And so, the way that we think about what the right level of contribution is, is through, I'm sorry, through what we call a feasibility study. It used to be somewhat rare, and it's become fairly common and almost universal for these programs to commission a study where an economist looks carefully at the local housing market and thinks about how . . .*(inaudible)*. . . context, and then looks at what happens to the profitability of development if we require some level of affordable housing. And so, when we do these kind of studies, we're able to, you know, not with great precision, not with a perfect crystal ball, but generally, to evaluate how effectively the County can capture some of the profit from housing development and use it to serve affordable housing needs. And the thing that people say, and it's really, it's like very easy to say, but it's really very fundamentally true is that you can't get housing, affordable housing through your inclusionary housing program if you require too high a requirement. So, I did a study of programs across California that have these inclusionary requirements. And we looked at how many housing units the different programs had built over time. And we also looked at . . .*(inaudible)*. . . programs. And the, and then we tried to answer the question of what were the characteristics of programs that produced the most affordable housing units, right? Because the question if you're concerned about affordable housing…uh-oh, did you lose me?

UNIDENTIFIED SPEAKER: We can hear you.

MR. JACOBUS: Hello? The, I see the screen went blank. There I am again. Can you still hear me?

COUNCILMEMBER LEE: Yes.

MR. JACOBUS: Okay. Sorry, so, what we found was that the percentage of affordable units required wasn't correlated with the number of units that were produced. The programs that required a higher share didn't produce more affordable housing than the programs that required a lower share. The, which, you know, it might seem a little surprising. But it's not really if you think about it. The thing that determined how much . . .*(inaudible)*. . . was really one thing more than anything else, and it was, how fast were the communities growing. In communities that were building a lot of housing in general, inclusionary housing produced a lot of affordable housing units at whatever the percentage requirement was. And for communities that were not growing, and not building new housing, inclusionary housing didn't produce very much affordable housing no matter what the percentage was. So, the key question first and foremost is, how much can you, how much of a burden can you place on market-rate development before you stand in the way of feasibility. So, what most cities are doing nowadays is studying that question and saying we want to require affordable housing, but we don't want to have the requirement that is so burdensome that projects are no longer feasible. And so, we're able to sort of look at the costs of development and the prices and rents that are available to a developer and we build a pro forma that shows us kind of a sample project, right. It doesn't reflect every project, but it says here's what a kind of normal looking housing project would look like and here's how profitable it would be, and if we require some affordable housing, here's how much less profitable it would be. And we want that difference to be small enough that development still moves forward. That's a difficult thing to do. And nobody does it perfectly. And whenever we do it, there's always more questions. But I think that the lesson is that we get better public policy when we do that exercise than when we don't, even though the exercise is imperfect. So, that's the first piece is how much burden can we impose, and then there's a separate question about where do we, how do we spend that burden, or where do we direct the benefit of that burden. And so, in some programs, your program you have three different income tiers that you require be served. Some programs offer developers a choice between *. . .(inaudible). . .* some programs require payment of a fee; other programs require units onsite. Sometimes there are other options like dedication of land. Each of these things has a pros and cons, and costs and benefits. But the net cost to a project tends to be similar between the different options in a menu like that. And so, the policy question is, if we want to serve very low-income families, then we require a smaller number of units. And if we want to serve higher income families, we require a higher number of units. But the net cost to a project might be similar in either strategy. And so, you can imagine your program having exactly the same impact on development that it has right now but having a very different mix of incomes that it targets. And the income targeting question is really a, it's a question about what the needs are in the community, and it's a question about sort of the political and social priorities of the Council. And *. . .(inaudible). . .* can calculate the tradeoffs between different options. So, we can say, what would be the equivalent number of units if you change to only serving people at 80 percent of median and wanted to have the same effect on development that your current policy has. And so, there's just some math to kind of translate between the different options. Typically, when the city commissions a feasibility study, we're looking at both of those things and there's a third question which is how valuable are any incentives. So, some communities offer developers extra bonus density, they can build more units, some communities offer public subsidy, we'll provide some public grant money or loan money, some communities offer other kinds of tax incentives in exchange for the affordable units in the inclusionary program. And we have to calculate that into the sort of overall cost of the project. And so, there's not the, there's not just what does *. . .(inaudible). . .* housing requirement cost a developer, there's also how much does it benefit a developer. And it's that, it's the net difference between those two that's the important number. The net impact on the bottom line of a project that we're looking at. So, we want the cost minus the benefits to be something that a project can sustain. And we want the way you're going to invest those benefits in affordable housing to be in line with what you see as the needs for the community. One last thing I wanted to say about process is that the norm recently for larger communities has been to commission these feasibility studies and that's sort of hire an outside expert that comes in and crunches all the numbers and sort of gives you an opinion about how much your market can sustain, you know, based on the targeting that you want to do in terms of income. But what a lot of communities have done, and it, but it's difficult for smaller communities to afford to do that kind of study and to do it regularly . . .*(inaudible)*. . . very good job. What a number of communities have done is they've had working groups or task forces that try to do the same work that a consultant might otherwise do. And that can either be done with a consultant or it can be done entirely independently. But the, if you get a group of interested stakeholders, a developer or two, some housing advocates, a realtor, somebody with familiarity with the finance industry, and you get them to work together to construct a hypothetical, you know, pro forma for a project. They can often come to some consensus about what's feasible without having to commission a full-on study. And in some cases, they're doing that in addition to commissioning a study. So, you have a little set of local stakeholders who are kind of providing a, you know, eyes on the ground reality check for what the outside consultant might say and I think you get a better result. However, it can be very political who you put in that . . .*(inaudible)*. . . room. And so, . . .*(inaudible)*. . . a skewed result. So, I'm going to stop there and see what questions you have for me and I suspect that many of the questions you're going to have are going to be questions that I've heard before. And if they're not, I'll try to follow-up.

CHAIR KAMA: Thank you. Members, questions? Nobody has questions for Mr. Jacobus? Thank you, Mister....yes, Ms. Lee?

COUNCILMEMBER LEE: Who would you recommend to do a feasibility study? I mean, you've worked in Honolulu and on the West Coast, do you have anybody in mind?

MR. JACOBUS: I have a short list of firms that do this. I do this work. There in Honolulu I worked with a firm called Strategic Economics and they did the feasibility study. There's three or four other firms on the West Coast that do these studies quite regularly and I'd be happy to give your Staff a list. And I, typically what you would do is issue a request for proposals or request for qualifications and you'd get proposals from multiple firms. It's a fairly standard product these days.

COUNCILMEMBER LEE: And how much do you think a study would cost?

MR. JACOBUS: Yeah, this is the question, it depends how broadly you want the consultant to look at your market. And so, the range in cost is anywhere from say $30,000 to beyond $100,000. And, you know, so larger cities tend to spend a lot more, smaller counties and communities tend to spend a lot less. The difference is mostly how much does the study reflect the different geographies within your area. So, if you just do one . . .*(inaudible)*. . . example . . .*(inaudible)*. . . Maui you get an answer that's sort of interesting and helpful, but it doesn't tell you what happens in Lanai, what happens in, you know, like it doesn't address the specific, you know, sub-communities. And when you have to look at the different sub-communities it gets a lot more expensive 'cause you need to collect a lot more information and sort of reality check a lot more data. Does that help?

CHAIR KAMA: Mr. Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Thank you, Mr. Jacobus. I just had a question about which projects were you involved with on Oahu…in Honolulu?

MR. JACOBUS: My role has been advising the City on the, first the development of their policy. So, their inclusionary housing policy was sort of, came out of their transit-oriented development program. And they engaged me to help them think through the drafting of the ordinance that they ultimately adopted which they called Affordable Housing Requirement Ordinance. And then after they adopted it, I, which was two years ago roughly, I've been working with their staff in their Planning Division to help the guidelines for the program and the sort of procedures that developers have to follow when they're bringing new projects forward under that ordinance.

COUNCILMEMBER SINENCI: Thank you, Chair. Thank you.

CHAIR KAMA: You're welcome.

MR. JACOBUS: Does that answer your question?

CHAIR KAMA: Any other questions? If not, thank you, Mister…yes, oh I'm sorry --

COUNCILMEMBER RAWLINS-FERNANDEZ: Real quick, sorry.

CHAIR KAMA: --Ms. Keani Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo Chair. Aloha, Mr. Jacobus, mahalo for being with us today. So, I attended the affordable housing summit that you were the keynote speaker, or you were a speaker at. I think that was in 2017 and it was cohosted by the Maui Chamber of Commerce. And it seemed like at that time when you had presented you were pretty certain that, you know, the sweet spot for Maui County was between 13 and 17 percent. But here today your recommendation is for us to do a feasibility study. So, at that time of the summit what information were you basing that percentage off of?

MR. JACOBUS: I have to tell you I can't imagine. I don't think that I've ever had a specific recommendation for what Maui County should require. It's possible that there was someone else at that summit that had done some analysis and presented numbers though I don't remember that either. I would have to go back through my notes from that to think what you might be referring to. But I'm quite certain that I hadn't done any analysis of the market on Maui at the time. So, I wasn't really making any recommendations about what the right percentage would be. Can you remember more about what the context of that would've been?

COUNCILMEMBER RAWLINS-FERNANDEZ: No. So, in your work in Honolulu --

MR. JACOBUS: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: --did they complete a study? I'm sorry if you already said this.

MR. JACOBUS: Yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: But did they complete a feasibility study to find what their percentage would be there?

MR. JACOBUS: Yes, they did, and I think it was in 2016 that they completed that study.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo. Mahalo, Chair.

CHAIR KAMA: Anyone else, questions? If not, thank you very much for joining us today, Mr. Jacobus. Thank you for your time. We appreciate it.

MR. JACOBUS: Yes, aloha.

CHAIR KAMA: Mahalo, aloha.

MR. JACOBUS: Thank you. Good luck to all. This is a complicated subject.

CHAIR KAMA: Thank you.

MR. JACOBUS: Let me know . . *(inaudible)*. . . be of any further help.

CHAIR KAMA: Yes, thank you. So, at this time I'm going to call for a recess until 2:40. . . .*(gavel)*. . .

RECESS: 2:38 p.m.

RECONVENE: 2:41 p.m.

CHAIR KAMA: . . .*(gavel)*. . . The Affordable Housing Committee of February 5th will now reconvene. It is now 2:41 p.m. So, Members, as we continue our presentation today with Mr. Almeida from the Housing Division, I just wanted to let you know that my sense of bringing this forward today is so that we can get some really deep understanding of what 2.96 is doing in this housing market of ours. I mean, we have to take, we have to review it, we have to see if it makes sense, if it doesn't make sense and make it better for our people. So, we also have to consider everyone's perspective, the developer's perspective, our perspectives, and also the stakeholders who are out there. So, today we're going to hear from Mr. Almeida and we're going to hear from Mr. Ige, and Ms. Pali when she gets here and think about what it is that we'd like to see--aloha--in terms of how we want to improve 2.96. So, we had a lot of testifiers today and we heard from Mr. Jacobus. And so, now we're going to hear from Mr. Buddy Almeida. So, I want to introduce Ms. Kellie Pali-Cruz who's a loan officer with Creative Financial Hawaii. And she's here today as I mentioned earlier to represent the finance industry. Aloha and welcome and thank you for joining us.

MS. PALI-CRUZ: You're welcome, thank you.

CHAIR KAMA: Okay. Mr. Almeida?

MR. ALMEIDA: Thank you, Chair. Good afternoon, Committee Members, Buddy Almeida, Housing Administrator. Some questions came up at the last Committee meeting with regards to housing credits. So, at request of the Chair we put together just a brief presentation that outlines and highlights the points of housing credits as they relate to Chapter 2.96, Maui County Code. How do credits work? Developers may obtain credits for the number of workforce housing units produced over and above basically the minimum requirement which is 25 percent of the market-rate units in the project. Developers may apply the credits to a separate project in the future to reduce the number of workforce units required in the future project. Developers may also sell their credits to other developers. Credits have the following features, they may be used in any community plan area to satisfy the requirement for any type of unit constructed, whether it's multi-family, single-family, rental, for sale, and also to satisfy the requirement for a unit in any income group or AMI. A basic example for a 100 percent affordable project, in this case using 100 units, 25 percent required would require 25 units to be sold per restrictions under 2.96, actually, for all 100 units if they're going to receive credits. Under this case, 75 units that were sold in excess of the minimum requirement would be granted as credits once verified by the Department. In this particular example, the developer uses them for another project that he himself, or herself, is doing. In this example it's a 60-unit multi-family project. Under 2.96, 15 units would be required, and the developer would have earned enough credits, 75 from the previous project to apply and satisfy the requirement for the second project. Under 201H, Hawaii Revised Statutes, to be eligible for under a 201H project at minimum, or actually 50 percent plus 1 is how we like to term it, of the project units must be workforce units. To receive credits, 100 percent of the units must be workforce. It has to be 100 percent affordable workforce project. The maximum credit percentage allowed is 49 percent of the project total. Credits serve the same function under 201H, HRS, as under Maui County Code 2.96. How are credits tracked? Developer enters into a residential workforce housing agreement with the Department, this is recorded at the Bureau, it specifies maximum number of credits a developer may receive. The Housing Division verifies units were sold or rented to fulfill targets outlined in the residential workforce housing agreement. The Housing Division notifies the developer of confirmation of the credits received, and the Department issues them a certification. The Housing Division tracks when credits are sold to a different developer, and what project credits will be used to satisfy workforce housing requirements. And we just have a second example in here. In this particular example, it's where the developer of housing project A earns the credits under the same formula. However, they sell those credits to developer B, who in turn uses those credits to satisfy the requirements under his project or her project. And that is it in a nutshell. And we are here to answer any questions the Committee may have. Thank you, Chair.

CHAIR KAMA: Thank you, Mr. Almeida. So, yes, Ms. Sugimura?

COUNCILMEMBER SUGIMURA: So, before, on your presentation, how much is the value of the credit? I always wondered that, 'cause you can apply it towards, or buy from. So, what...

MR. ALMEIDA: Thank you, Chair.

CHAIR KAMA: *. . .(inaudible). . .*

MR. ALMEIDA: Thank you, Member Sugimura, for that question. The County, we don't get involved with the negotiation of price. That's amongst the developers. We just track the transfer and which project it's applied to. However, in discussions and conversations, they can range, you know, typically between say 50 and $100,000.

COUNCILMEMBER SUGIMURA: *. . .(inaudible). . .*

CHAIR KAMA: Okay. Thank you. So, Mr. Ige, I think we'd like to hear your comments on 2.96.

MR. IGE: Thank you, Chair Kama, for inviting us here today to participate in the meeting. So, I just want to start off by saying we did review the current ordinance and based on today's interest rates and these County sales guidelines for for-sale products as well as rentals, I mean, the ordinance is, you know, in a nutshell okay to us. The problem it doesn't work is basically, and these are projects that are, have no County subsidy, but these projects can't get water and the cost of the, bringing the infrastructure to the site is just so expensive that developers can't make this pencil. And I'm not speaking for all developers. I just want to say we're speaking for one company and we don't represent all the developers on the island.

CHAIR KAMA: So, Members, what you're being passed out is some information from the Department of Labor and Industrial Relations regarding some, we had invited them to come and I think there was some communication mishap and they could not come. And then we thought we tried to get them through video and that was unsuccessful. So, but what you have here is information relating to Maui's workforce. And it is from the Department of Labor and Industrial Relations. And it talks about the profiles for Maui County, what our median HUD income is, what the average weekly and annual wage is, the labor force, our population, our occupation projections and industry projections, and this, it was from 2016 to 2026. So, it's for the next five or so years. So, I thought this would be really some really good information for you to help as we understand workforce housing. Ms. Tamara Paltin, you had a question for...

COUNCILMEMBER PALTIN: Yeah, is it too late to ask a clarifying question from Mr. Almeida?

CHAIR KAMA: No, no.

COUNCILMEMBER PALTIN: I had couple.

CHAIR KAMA: Sure.

COUNCILMEMBER PALTIN: Okay. So, my first question was, I know it's stated in your presentation, but I just wanted to clarify that it has to be a one-to-one match, like if they're doing single-family houses, they can only apply the credit to single-family houses, if they're doing multi-family houses they can only apply the credit to multi-family houses, you can't do like a multi-family house and apply it to a single-family house? Or can you?

MR. ALMEIDA: Thank you, Chair. Thank you, Member Paltin. The way that the credits are currently utilized, initially under 2.96 when it was first adopted, that is the structure that was utilized. It was specific to area median income, it was specific to community plan area, and type of unit. However, there are State credits under Act 141 that are also out there, and they do not have these restrictions. So, at the time, it was, the HHT Committee took it under this type of process of reviewing Chapter 2.96 and changes were made at that time to allow them to be more flexible like the State credits are. So, they, you can use a credit that is earned on a rental project for a for-sale project or earned in a certain area median income to a different area median income, or different community plan area. So, they don't have those restrictions anymore to mirror the State credits.

COUNCILMEMBER PALTIN: So, there's no correspondence, like you could build all your projects in Central Maui, and then apply credits in West Maui, or you could build a 120 percent AMI project and, or 100 percent AMI project and sell it for a 140 percent or something like that? There's nothing, one-to-one match? 'Cause in your examples it looked like single-family to single-family, multi-family to multi-family. But that was just a coincidence?

MR. ALMEIDA: Let's see if I can find that slide real quick. So, here's, this is, there's more criteria. I listed some of the top ones. So, currently, credits can be used in any community plan area to satisfy the requirement for any type of unit constructed. So, that's where the one to one. So, basically, a multi-family can satisfy a single-family and so on. And then, they can satisfy the requirement for a unit in any income group.

COUNCILMEMBER PALTIN: So, not my second question, but a follow-up to my first question would be, have you tracked how that affects what's being provided since the change where it was a one-to-one match to what it is currently today, like the effects of changing that?

MR. ALMEIDA: Yes, absolutely. From the time the 2.96 was adopted in December of 2006 to, that review was done in late 2014, we hadn't seen any workforce housing completed. Three units I think is what it was. One workforce housing agreement was executed during all that time. After we made the changes, we saw production. We saw things change. We've had eight projects completed since that time under 2.96 which is to me very good. And we have a lot of others in the pipe that are currently under construction or at various stages. So, it did help produce more housing.

COUNCILMEMBER PALTIN: Another follow-up to that, but that wasn't the only change made, it was from 50 percent to 25 percent as well --

MR. ALMEIDA: Correct.

COUNCILMEMBER PALTIN: --so it's not necessarily just the one-to-one match. It could as well be market forces and the change from 50 percent to 20. Was 2014 when the change was from 50 percent to 25 percent? So, all of these, or those changes were made simultaneously. So, it's difficult to attribute the results to one particular aspect.

MR. ALMEIDA: Oh, absolutely. But in totality, I think that the change definitely helped. But correct, there was a lot of other changes that were made that also helped as well.

COUNCILMEMBER PALTIN: The market --

MR. ALMEIDA: Yeah, it's a cumulative effect as well

COUNCILMEMBER PALTIN: --as well as the 50 to 25 percent. Okay. My second question is...

CHAIR KAMA: You're on a roll.

COUNCILMEMBER PALTIN: Thanks. Is, and I'm not sure how to word what I want to find out. But can, like you know your example where the person had like 75 credits that they accumulated and then say they wanted to build like maybe a 140-unit project. Could those 75 credits be applied to that 140-unit project and it be a 201H project?

MR. ALMEIDA: Correct, it could.

COUNCILMEMBER PALTIN: So, it could be a 201H project that wouldn't provide any new affordable housing. It would bank off of already provided housings that were credited?

MR. ALMEIDA: Under the 201H 2.96 credit calculation, 201H you have to provide 50 percent plus 1 at a minimum. So, you can only get 49 percent credits in that situation. Under 2.96, you can get as much as 75 percent if you do a 100 percent affordable project. So, the calculations are a little different. But you can use a workforce housing credit that was earned on a 2.96 project for a 201H project or vice versa. The net is zero. You're getting the same amount of affordable housing. Basically, either it's done upfront or it's done in the future.

COUNCILMEMBER PALTIN: Has that happened already?

MR. ALMEIDA: Yes, we've had projects that have been done at 100 percent affordable and have earned credits and have either sold them or used them on other projects.

COUNCILMEMBER PALTIN: On a 201H project?

MR. ALMEIDA: Yes.

COUNCILMEMBER PALTIN: Do you know what the name of the...

MR. ALMEIDA: I know that Waikapu Gardens Phase II earned credits. I don't believe that they've sold them yet. That was before the changes were made and those were specific to AMI and community plan. So, they're having a little harder time selling those. They still have those credits. But they're the 201H project that has earned them. I know that projects currently under construction, Kaiwahine, Kenolio Apartments, they were both awarded 100 percent credits, so.

COUNCILMEMBER PALTIN: I don't think that was what the question I was asking, not that 201H projects can earn credits, but if credits can be used to satisfy the 201H 50 plus 1 portion of the project.

MR. ALMEIDA: Yeah so, yeah credits earned under either 201H or 2.96, whichever process you used, if you earned credits, you could then apply them to either side. If you earned it under a 201H...

COUNCILMEMBER PALTIN: To satisfy your 50 plus 1 for a 201H?

MR. ALMEIDA: Correct, yes.

COUNCILMEMBER PALTIN: Wow. Okay.

MR. ALMEIDA: It hasn't happened to date where somebody has earned credits --

UNIDENTIFIED SPEAKER: Wait, wait, wait, wait, wait.

MR. ALMEIDA: --on a 2.96 project and applied them to a 201H project.

COUNCILMEMBER PALTIN: Oh, it hasn't? It hasn't happened.

MR. ALMEIDA: That hasn't happened to date, no.

COUNCILMEMBER PALTIN: But it's --

MR. ALMEIDA: It could.

COUNCILMEMBER PALTIN: --allowed?

MR. ALMEIDA: It's allowed, yes.

COUNCILMEMBER PALTIN: Okay.

CHAIR KAMA: Ms. Lee?

COUNCILMEMBER LEE: Thank you. My question is for Brian. Brian, do you have some kind of a chart that shows the current cost per square foot construction and like so that we can use a typical house, maybe 120 percent of median income using last years' guidelines because this year's hasn't come in yet. So, 120 percent would be and at 4 percent interest the sales price of that house would be $554,300. So, that would be 120 percent of median income. That means that individual or couple would make $100,560 a year, yeah? So, if you were required to build ten of these homes, let's say, can you make a profit on those homes?

MR. IGE: At the 120 level it would be difficult to do. But we did prepare some models. I didn't bring it with today. I just wanted to verify that these numbers, these current sales guidelines and at the interest rate those were we came up with about I think for doing a, like a market-type project, trying to keep the prices, I mean assuming we make 10 percent profit, we came out about $600,000 for a house. And provided you can get water, and provided the infrastructure is to the land, and you don't have, you know, too many unusual grading conditions. So, it is doable under this ordinance. So, we're looking about 610 and that would have been, you know, doing that breakdown in this ordinance of 30 percent, I think 80 percent and below, 100 percent and below, 50 percent 120, and 20 percent 140 and below.

COUNCILMEMBER LEE: So, you're saying you're breaking even at $600,000?

MR. IGE: We're making a profit at 600,000, at 600, a little over 600, 608,000 it came out to be.

COUNCILMEMBER LEE: Okay. So, you...

MR. IGE: But I'd be happy to share with that and forward it to the Members. And it's a hypothetical thing, but it's pretty close to reality we think.

COUNCILMEMBER LEE: What if you use cheaper materials?

MR. IGE: They wouldn't cost, or we can't do that, I mean, basically, builders you need to understand have a ten-year warranty period. We got to buy insurance to protect ourselves during that time. Buyers can come back after us up to ten years. So, we don't want to cut corners and build anything that's...

COUNCILMEMBER LEE: No, I didn't mean cut corners. But I just wondered, you know, I mean...

MR. IGE: But the finishes, I mean, are going to be just standard finishes. I mean it could be, you know, Corian or laminate finishes inside, fiberglass tub surrounds, just the basic houses.

COUNCILMEMBER LEE: Okay. So, you…

MR. IGE: Good houses, but basic houses.

COUNCILMEMBER LEE: So, you start to make money between 120 and 140?

MR. IGE: Yes.

COUNCILMEMBER LEE: That's where you start to make some money?

MR. IGE: Yes, yes, yes.

COUNCILMEMBER LEE: Okay. All right, thank you.

CHAIR KAMA: Thank you. So, now I'd like to ask Ms. Kellie Pali to share with us your comments. Yes, go ahead. Thank you.

MS. PALI-CRUZ: Thank you for having me. I apologize for my tardiness. I know that I'm here to represent as a professional mortgage broker owner on the lending side. But if I may --

CHAIR KAMA: Yes.

MS. PALI-CRUZ: --since I've been part of this discussion since 2003 --

CHAIR KAMA: Yes.

MS. PALI-CRUZ: --and doing my best as just a regular person also on the side, may I comment abroad?

CHAIR KAMA: Sure.

MS. PALI-CRUZ: And then, maybe following up. I want to talk about the income first.

CHAIR KAMA: Okay.

MS. PALI-CRUZ: So, I've been able to review the income charts that are currently posted. I think it's dated May 1, 2019. I think what's been really special in the last, you know, 24 months is that there's been several times where the mortgage interest rates have dropped. I know today we just locked in a client for a USDA loan at 3.25 percent. And so, maybe when we are going to be updating the charts, you may want to go ahead and throw some, you know, 3.75, 3.5, 3.25, I don't know if it's going to be a trend for future, but it'll just give us a better depiction of what's really happening today. So, that would be my first recommendation. The second thing that I would like to just get out of the way is I think it's really important to keep the range of the very low income up to the above moderate to 140 percent. Just piggybacking off of Brian Ige, I understand when you're penciling out the numbers, sometimes the higher numbers help make the lower numbers work. And so, it does give the developer a little bit more flexibility if they are allowed to keep selling a small portion to the 120, 140. That's just my professional opinion as I'm cutting up the numbers. The other thing is, I'm seeing a lot of people in the 120, 140. And although those people might have really good careers, you know, potentially making some really good sort of salaries, because they also don't live, I mean, I mean not too many of us live debt free, you know, sometimes we still have that car loan. Some of those professionals still have their student loans that they're trying to pay off. And so, when you're adding their income at the max level plus this new mortgage, most of them in order to qualify they almost have to be debt free to still make the numbers work. But many of them aren't. They still have that car payment or that student loan they haven't quite paid off. And so, that makes them not be able to afford that market-priced home. And so, they fit nicely nestled in here at the 120, 140. So, I would just, as I've been cutting numbers and slicing it up, unless they have been working hard for ten years to get every single debt that they expended out in their 20's done, then they could probably fit in the model and you could get rid of it. But at, we still have a lot of people to serve in that area, of the 120, 140. So, I would recommend keeping that there. The other thing that I wanted to just, if it's, am I allowed to ask Buddy questions about the credits? I think my comments on the credits, if I may, and I'm kind of slipping out of my, a little bit of my professional here, but I had a conversation with a developer which I ended up actually purchasing from this said developer last year, is that they had done so many 100 percent affordable projects like 40 years ago that they had credits, enough credits, to build whatever they want, as many as they want, for the rest of their life and never have to satisfy doing anything extra. And it could've been just a loose staff member that didn't know who she was talking to that I actually had a little bit of knowledge here. And it kind of like made me sad, it made me sad that there were developers, potentially new projects that would be able to buy into old projects, especially like 20 years, 30 years, 40 years ago, and it doesn't translate into new homes today. And so, as you're validating even if that was accurate, I think she mentioned, oh we did the Kihei Villages, and the Southpointes, and the Iao Parksides, and I didn't fact check it. But as they continue to develop currently, I'm feeling like I don't see new ones coming from that developer. So, if someone can fact check that. But it made my heart sad, but it made me think on the credits. Do they have an expiration date? Is that something that we can look at? And then, moving forward with the new developers, is there a way where when they satisfy that requirement for the affordable housing piece, how can we tweak the system to where we can actually see that it translates into new housing today. Or at least find a happy medium. That would be my only comment on the credits if that was okay.

CHAIR KAMA: Yeah, thank you.

MS. PALI-CRUZ: And then, the last thing is the deed restriction, if I may? I don't know if we're up for, is it up, considering to extend the deeds from 10 years to 25 years? Is that proposed or not proposed? I'm sorry, I apologize.

CHAIR KAMA: We're just doing a review of the 2.96. So, you know, everything is on the table for discussion.

MS. PALI-CRUZ: Anything? Okay. So, in the deed restriction, when I read the last ones that I've pulled the resolution, it looks like there is a currently a ten year deed restriction, and Fanny Mae and Freddie Mac have been very aggressive in the last five years and they have been allowing the deed restrictions up to ten years. I am waiting, because every January things in the lending industry change, and I am waiting for confirmation, I have heard, and through one lender that I work with, I work with about 50 different banks, that they believe that Fanny Mae has potentially lifted the deed restriction. So, I would like to just be able to report back to you on that confirmation. I do want you to consider though as you're looking at that language, keeping it the same or changing it, when a buyer comes in to try to qualify for these affordable homes, or even any home, they'll have options to pick a number of programs, zero down, USDA, VA, FHA, Fannie Mae, Freddie Mac, 3 percent, 3½ percent, HomePath, HomeReady, I mean, there's all these really great programs. And every program has their unique sort of requirements. So, depending on the buyer, I think what we want to do is not only do we want to make the price affordable and provide more of these affordable homes, but we want to make sure that we don't restrict the guidelines so much that we limit the type of program they can get. It would limit their ability to shop the loan, maybe the loan that they wanted to get that gave them the lower rate with the ultimately lower monthly payment is now off the table due to over restricting that area. So, I just, if you can just keep that in mind and realize that as we do those things it could affect the different programs that continue to evolve. But some programs have been around for a while. And so, maybe just checking with a mortgage professional to make sure that we're not forcing them to do the 5 percent down because we have overwritten the restrictions so tightly that they now miss out on other opportunities. That's all.

CHAIR KAMA: Thank you. Ms. Tamara Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I had a couple questions, and one was for Ms. Pali, and then, if I could go back to Mr. Almeida --

CHAIR KAMA: Yes.

COUNCILMEMBER PALTIN: --on a clarification --

CHAIR KAMA: Yup.

COUNCILMEMBER PALTIN: --of his third slide. But my question for Ms. Pali-Cruz, you know, when you were saying that you see a lot of clients in the 120 to 140 range, were they not interested in the Kahoma project near Safeway? Because a lot of those flipped out of affordability. So, just wondering if there's so many folks there, they weren't interested in that?

MS. PALI-CRUZ: Yeah, so, it's a combination of location for some depending on where they work, it's also a combination of timing. I think what I'm saying is when I get applicants in, I rarely get them, the ones that come into apply, I rarely see the lower end. I was blessed with Kamalani to have a couple in the lower end which was super awesome. I think in general, the lower end of the lower moderate income, they kind of already think that oh, I'm never going to qualify. And that's why I'm really grateful that we had these educational courses to let them know like hey, buying a home isn't something you do when you're old. You can actually do that young. And so, we just have to kind of change the culture that it's not something you do later. You can do it now. So, that's number one. But number two, I don't know why that particular project had problems. I also know that the project in Kihei across from the Cove, they too had massive problems getting applicants. And so, I don't know with the developer's struggles, the challenge. I also, if it's okay, it leads me to my next thing that I've been trying to secretly meet with you individually to push my idea here, one of the biggest challenges in the communication is that buyers have to watch and read the paper, watch the news, watch Facebook, and hope that they get these little information and tidbits on this developer, that developer, that project. And it's kind of exhausting. And then, if you just forget to read the paper one day and it was launched, you've missed out on applying. And so, I would, we really would love to find if there was a way in the Housing and Human Concerns Department subcommittee, or whoever that the developers have to go to them anyway, they have to satisfy these things, they have to get the agreement. They have the information at their fingertips of the developers. So, if they've got the developer information and then the buyers have to go to make sure they qualify in these income limits, they've got the buyers information, why aren't we...and they might already be doing it, but from what I understand, I don't see that yet. Why aren't they sharing the information so that way all these buyers can go over here and apply, go over here and apply. 'Cause what I also find out is they don't know. When they come here to my office, have you heard about this, have you heard about that? And so, I don't know, just making it easier to kind of cross reference that and be a little bit easier. I mean, it may be done now. I don't know. So, I don't mean to offend anybody. But I don't think it's being done. And so, it's just a good...

COUNCILMEMBER PALTIN: To address that point, I mean, I kind of been mentioning what it would take, or to maintain like a master list of folks that are interested and what their AMI percentage is, like an updated list. But I think that would take more resources than what we currently have. But to follow-up on your initial answer to my initial question, so, would you then say that there's not a need in Lahaina for the 120 to 140 AMI being that, I mean...

MS. PALI-CRUZ: I can't say that. I don't know specifically the people that I've been qualifying, if they specifically need Lahaina. I mean, Lahaina obviously is unique where if you work in Lahaina it's great. We do know we have a lot of families that work, live Upcountry, live in town, and they do work Lahaina. So, that sounds like it would be a unique situation. I don't know why specifically that project is struggling. For that…

COUNCILMEMBER PALTIN: I think both the Kahoma projects, the 120, the one by the flood control, flood, the up mauka one and the makai one, both of them, the 120 to 140 flipped out of affordability. I believe the mauka one, they honored the commitment, and the makai one they didn't. And they just went, the mauka one they didn't, they honored the commitment to sell in that range but they didn't have like, you know, whatever the first-time homebuyers or whatever it was that the…

MS. PALI-CRUZ: They released it from the affordable piece.

COUNCILMEMBER PALTIN: Yeah, yeah.

MS. PALI-CRUZ: Which is what the last phase of Waikapu Gardens did, you know, they, the last seven or eight had to be flipped back to market. They did not all go affordable. I know that for a fact, so.

COUNCILMEMBER PALTIN: So, then, you're saying all the people that come to you looking for that 120 to 140 range, they can't find homes, or there's not enough homes for them to…

MS. PALI-CRUZ: No, so, people like nurses, right, police officers, and then their wife's also working, so, that income gets pushed up. Those people because of maybe their student debt, still having car loans, they afford for the, they can't afford a typical market value, 750, 725, right? That's kind of, I hate to say it, but, you know, I mean, it's rare that you're going to find a market value home for under 650 nowadays. And so, those people kind of fit nicely into the 120 into the affordable housing. And I don't know if it's a matter of them not knowing, information, education, I don't know why that there's, if you're saying they're having a hard time selling the higher end. I don't know how to; I don't know what the answer…

CHAIR KAMA: So, on that point, Ms. Paltin, if you would indulge your Chair, Mr. Molina needs to leave, and he'd like to be able to ask…

COUNCILMEMBER PALTIN: Oh, sure, sure, whenever, I think Mr. Almeida will be around. So, whenever it's my turn again.

CHAIR KAMA: Thank you. Mr. Molina?

VICE-CHAIR MOLINA: Yeah, thank you very much, Madam Chair. And speaking of Mr. Almeida, I wanted to ask a question about on one of the slides, Page 6, related to the 201H, you know, under the Admin Rules Title 15, Subchapter 2, Section 15-307-26 states more than 50 percent of total dwelling units shall be for very low, low, low moderate, and moderate income households. And the Rules further state that the, any proposed projects more than 50 percent of the total dwelling units have to be affordable. Based on that, wouldn't the Department then have a lot of flexibility in their use of this 201H process when in terms of requiring the number of units from the developer? So, like the minimum is what, 51 percent. So, does the Department have the flexibility to say hey, you know what, we want 60 percent, or 75 percent? So, are we just going, staying with the minimum? Because I think we're missing out on the potentially more affordable units. And I know the developers maybe, they're always going to say well, we need, we may not make our bottom-line blah, blah, blah. But we've had some applications where 100 percent, and others only can do 51 percent. Any thoughts on, you know, the Department establishing a new policy asking for more --

CHAIR KAMA: Mr. Almeida?

VICE-CHAIR MOLINA: --than 51 percent?

MR. ALMEIDA: Thank you, Chair. Thank you, Member Molina. I, well, the Hawaii Revised Statutes, the 201H law is that's their guidelines, that's their rule. You have to do 50 percent plus 1.

VICE-CHAIR MOLINA: Right.

MR. ALMEIDA: I don't know what control the Department, I don't think we really have any control or say. From our level I know that this body has made recommendations and requirements on developers to do more if they could do more. And I think with the responsibility should be, you know, basically kept at that level with this body deciding that. I don't think that we should be dictating to developers and requiring that they do certain amounts of affordable, you know, percentagewise. As long as they're complying with the law, that's all we need to verify and monitor.

VICE-CHAIR MOLINA: Okay. Yeah, 'cause I'm thinking that because it's the Administration, it oversees and works with the developer and I don't see why the Mayor or, you know, the Director can just say hey, you know what, there's a demand for more affordables so, this is the minimum, 60 percent. Take it or leave it. And how many, you know, and developers are using this process more and more. They don't want to go through the traditional process. And the tradeoff what they get is a lot of exemptions, and waiving of fees, and maybe some infrastructure. So, why not give back a little bit more? And I know everybody wants to make money. I have no problem with that. It's just that some developers want a lot more money than others, you know. So, I don't know if Corp. Counsel, what are the parameters for us? I mean, I mean I know the Administration has chosen, I guess, maybe to leave it in our hands. But, you know, I guess if the Administration can just lay down the law, that hey, this is, now that you're going to be using these processes more and we have a housing crisis, the need for affordables, why not ask for more?

CHAIR KAMA: Ms. DesJardins?

MS. DESJARDINS: Chair, thank you. So, the way I read the Maui County is exactly what you're saying. There's a minimum of where they become eligible. But then the

Director, or the Administration could require more, or the ordinance could be amended to mandate more. I mean there's, you know, you have to, I guess from hearing this conversation there's sort of, you know, some sweet spot somewhere where it's not going to level out.

VICE-CHAIR MOLINA: So, the Council can amend the minimum then? We can amend…

MS. DESJARDINS: Well, I mean, right now the Council sets out the, you know, requirement of 100 percent for a 201H project. But then, only 50, you have 50 percent of that is not eligible for credits, right? So, that's by County Code. So, you could amend the Code to change the percentages for the credits, what, you know, and then see what the result of that would be. But right now, what the Code establishes sort of a bottom line of where you become eligible for credits. But it doesn't say you shall receive credits, right? That's up to the Administration, it's my understanding, to then determine in each of these, what credits you're going to give.

VICE-CHAIR MOLINA: Okay. Well, it's certainly something to chew on. All right, thank you very much. Thank you, Madam Chair.

CHAIR KAMA: Thank you for being patient, Mr. Molina. Mr. Hokama?

COUNCILMEMBER HOKAMA: Just a few questions, Chair. One, have you decided how you want to approach the review of this chapter, by sections, or by subject areas, or…

CHAIR KAMA: Well, my sense is that because it was probably such an in depth and we'd probably want to take a deeper dive I was looking at probably the creation of a TIG --

COUNCILMEMBER HOKAMA: Okay.

CHAIR KAMA: --and meeting, and doing it, and going through that route probably at our next meeting.

COUNCILMEMBER HOKAMA: Okay. No, we appreciate that, Chair, for your guidance. So, my few questions is, one I think my colleague, Ms. Paltin, brought up an interesting scenario. So, the scenario is this for me, the project is on Kauai, they figured out how to do it well like Koae in Koloa. And let's say they did 100 percent affordable, so they get 100 credits. That means they can come to Maui, expend that 100 credits on one fully market project, a 100-unit market project but they're going to be exempted 'cause they have 100 credits already from Kauai?

MR. ALMEIDA: Thank you, Chair. Thank you, Member Hokama. No, the credits are restricted to Maui County. Credits earned in Maui County can only be used in Maui County. They can't be used in any other county. However, the State credits have that flexibility. But that's Act 141 credits. They have the ability to use them in different counties. But for…

COUNCILMEMBER HOKAMA: And who approves the use of State credits? State Housing Authority?

MR. ALMEIDA: It's from the Department of Hawaiian Home Lands. They're the ones who issue the credits.

COUNCILMEMBER HOKAMA: And so, Hawaiian Homes credits that was earned on Kauai can be spent on Maui for a fully market development?

MR. ALMEIDA: Per my understanding, that's how the law reads and is applied. However, I have not seen that done to date where another county has applied credits from their county for a Maui County project. I have not seen that. But under the law, I believe it's possible for the Act 141 credits.

COUNCILMEMBER HOKAMA: So, Hawaiian Homes that will be built by Kehalani, wasn't that credits from a non-Maui County project?

MR. ALMEIDA: I'm sorry, Member Hokama, which project?

COUNCILMEMBER HOKAMA: The one Hawaiian Homes is attempting to do at Kehalani. Okay. They're buying land, and they're using housing credits they've earned from a project to do it. So, my question is, is that a project that was not based from Maui County? They're using another county's credits to build their project here.

MR. ALMEIDA: They would earn credits for the development of that project. However, I'm not aware, I'd have to research a little bit further to see if that is possible under the law. I'm not aware, you know, off the top of my head.

COUNCILMEMBER HOKAMA: Okay. 'Cause I think that's what Hawaiian Homes is proposing, using housing credits from a project to build this project here on Maui. And again, I still wondering what is the beneficiary's benefit for that. So, that's one question, Chair. You know, one thing that I appreciate, you said everything's on the table. So, one of the things I want us to consider is a moratorium on building permits for any market development. Okay. We've done it in the past for hotel development. We can do it for other areas that we feel this impact on public and residential benefits. So, I'm open to this word that I think may save us instead of hurt us, and that's a temporary moratorium. Okay. 'Cause we know where the factors are, Chair. If we get better cooperation from the unions, that is a 30 percent impact on cost right there. Okay. You heard from the development side, cost of materials, we don't want to jeopardize quality or warranties. We all want a house that's going to stand up after it's built. So, we can appreciate that point. But I think we can look at other areas if we're serious, and maybe craft a policy that will hold employers over a certain number, a certain percentage of responsible participation in employee housing. That's how we did it in the past. I don't know why we cannot have employers, including us, do our fair share for employee housing. And it's not the County's responsibility to do everybody's housing, Chair. We should be doing it for our employees and hold all other employers to that same responsible standards. So, I would like us to investigate that and see how we can possible craft legislation to that effect, and not have somebody else's credits impact our projects here. If we want it affordable, we want affordable, we don't want, we don't need credits to make it, turn it into a market project, not if they cannot get building permits by a moratorium either, Chair.

CHAIR KAMA: Okay.

COUNCILMEMBER HOKAMA: Okay. We did it for the visitor under hotel employee housing, under the old, well not old Code, it's a Code, but it was done by '60s I believe. Okay. And that was driven by this Council and that Administration, Cravalho. So, we can, we did it once, we can do it again, Chair.

CHAIR KAMA: Yeah.

COUNCILMEMBER HOKAMA: Thank you.

CHAIR KAMA: Ms. Keani Rawlins-Fernandez, yes?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I fully support what Member Hokama said.

CHAIR KAMA: Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: I hope we take action on that soon.

CHAIR KAMA: That's not your question though, right?

COUNCILMEMBER RAWLINS-FERNANDEZ: No.

CHAIR KAMA: Yeah, okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: No, no. I would like to call up one of our resource people.

CHAIR KAMA: Absolutely.

COUNCILMEMBER RAWLINS-FERNANDEZ: Ms. Autumn Ness, please?

CHAIR KAMA: Yes, Ms. Ness, if you could please come down?

MS. NESS: Hi.

CHAIR KAMA: Hi.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo for staying and serving as our resource person, Ms. Ness.

MS. NESS: Oh yeah, it's my pleasure.

COUNCILMEMBER RAWLINS-FERNANDEZ: All this talk about getting affordable housing is so exciting. I was hoping that you could speak a little bit to the ability to get loans on long-term deed restrictions.

MS. NESS: Yes, I was hoping, we had somebody else who is also in the finance field that was supposed to come today. But she is, has an emergency trip to the doctors today. So, I'm going to do my best. I've been working with her a lot since the TIG when Member Cochran was around. I hear what Ms. Pali-Cruz is saying about having to be careful about not to restrict things too much to make loan requirements difficult. I do know however, that we have to hear what she's saying and also not take that as a roadblock because it is possible. There is that sweet spot. And without getting too far into the weeds, I can give you guys documents if you want later, I have documents from the Fannie Mae selling guide from back in 2017. I have like the yearly progression of what their selling guide language says. And every year it gets clearer and clearer that they are okay with loans with longer and tighter deed restrictions. Just this one, it says right here, Fannie Mae will purchase mortgages that are subject to one or more of the following types of resale restrictions, and one of those resale restrictions is resale price limits. And it's very clear, on the bottom it says there are no restrictions on the length of the period in which the resale restrictions may remain in place on the property. And this, they spend more time in each of their sales guides on this topic because this is such a big deal. Other communities do it, this is not some just like...

COUNCILMEMBER RAWLINS-FERNANDEZ: Is that something to distribute?

MS. NESS: I sure can, yes.

COUNCILMEMBER RAWLINS-FERNANDEZ: Oh, okay. Staff, would you mind helping? Mahalo.

MS. NESS: Other communities do it. This isn't like a pie in the sky what if--I'm going to keep the top one for myself--like a what if thing, especially a lot of resort communities that have been dealing with this kind of thing, investor-based housing markets. So, it's possible. I don't want to say, I wish Cassandra was still here from Na Hale. They have long-term deed restrictions. The formula is different. Theirs is a shared equity formula, but they are able to get mortgages on their homes that are deed restricted in perpetuity. Also, I spent a lot of time talking with Doug Spencer on the phone about this. He is gone from here. But he still cares really a lot about this issue. And both Na Hale and Doug Spencer bring up HomeStreet Bank. I am not affiliated with them in any way, but I know that there are specific banks that are well known for working with creative deed restrictions. So, we cannot just say this is difficult and then not do it. There are ways to do this. And the last thing I'll say is just we have to figure that out. We have to. You know, we've spent $50 million out of our Affordable Housing Fund on just under 300 units. And how many of those are still in our affordable housing inventory, you know, they're just, they're gone into the ethos. So, we could have already at this point an inventory of affordable homes to show for our $50 million if we had long-term deed restrictions on our homes and we don't. So, we're starting from zero every year, every time our inventory flips onto the market. The last thing I'll give you guys about the urgency of this, this is not a crazy idea. I have testimony here from the REALTORS® Association of Maui from 2013 to the Council saying RAM is also hopeful that the County will move towards making homes built under its Workforce Housing Policy permanently affordable, much like the Na Hale O Maui model provides for. So, this is, RAM has been behind this. I'll give this to the Council along with a package of documents talking about permanently affordable housing and all of the ways that it's possible. This was put together by the National Community Land Trust Network. And I highlighted a few of the sections specifically that speak to deed restrictions for long-term. It's possible, this is a national conversation, and some banks will not lend on these, but some banks will. And some banks will do so with favorable terms that can get our really low income and low end of the workforce into their units. And we have to really keep those people in mind. That's my two cents. Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Ms. Ness. Do you have examples, I know you're trying to represent someone who couldn't be here also, but of where this worked, lending to the, yeah?

MS. NESS: Yeah, I actually have a big stack of deeds over there. I can go grab them, from places like Aspen…hold on one second. I try to conserve paper and it never really works around here. I have deeds from Aspen, Pitkin, from Massachusetts, these are actual deeds that exist in their affordable housing programs. And they differ in really basic ways that improve, or not, the ability to get mortgages on the properties. For example, in some deeds, and this deed sticks with the home, right? I don't know if you're familiar with this. This is the rule for eternity for this land and this house. So, no matter who sells or buys this home, these resale price restrictions remain, right? Aspen gives like a different appreciation model, and in some cases, if the house is foreclosed on, because then you get the banks involved and then the requirements automatically get lifted. And it makes things clearer for the bank, and it's easier to get mortgages on them. In some cases, the restrictions remain in case of foreclosure, but the time that the…how do I say this, for example, if the County has the first right of purchase, the time that they have to figure that out is a really small window so that the bank's not waiting around for 90 days or something and wondering what's going to happen with this property. So, these deeds are written knowing that, you know, x, y, z banks will lend on this as long as this kind of language is in the deed. Do you know what I'm saying? So, we can't just say that this is too difficult for a bank to handle, because it can be done. We just have to hammer it out. And if there's a TIG involved in this, I will, by all means would love to offer these deeds up and conversations I've had with these municipalities to figure out how to make it work.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair.

CHAIR KAMA: You're welcome.

COUNCILMEMBER RAWLINS-FERNANDEZ: I have questions for our other resource people.

CHAIR KAMA: *. . .(inaudible). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: But if anyone else --

UNIDENTIFIED SPEAKER: Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: --wants to ask questions of Ms. Ness.

CHAIR KAMA: Ms. Paltin, did you have a question for Ms. Ness? I know you *. . .(inaudible). . .* Did you have any for her?

COUNCILMEMBER PALTIN: Shoot, I had one for Ms. Ness, but I forgot it.

CHAIR KAMA: Yeah, I remember that.

COUNCILMEMBER PALTIN: But I still had one for --

CHAIR KAMA: Okay.

COUNCILMEMBER PALTIN: --Mr. Almeida. But --

CHAIR KAMA: You can go on to that.

COUNCILMEMBER PALTIN: --if Ms. Ness is up here; I don't want her to stand up here if…

CHAIR KAMA: No, Ms. Lee has a question.

COUNCILMEMBER PALTIN: Okay.

COUNCILMEMBER LEE: Ms. Ness, so, you said there are examples and you have deeds. Do you have any knowledge of local banks or savings and loans who still lend despite deed restrictions, just one or two examples?

MS. NESS: The one that comes up in my conversation a lot, again, I am not a professional, I only collate the information I get from the professionals. But the name that comes up repeatedly is HomeStreet Bank. So, yeah, that's all I can say about that one.

COUNCILMEMBER LEE: Okay. Thank you. Thank you.

CHAIR KAMA: Ms. Lee, did you want to ask that question of Ms. Pali?

COUNCILMEMBER LEE: Well, I just didn't want to keep her standing there, yeah.

MS. NESS: No, I can sit and come back later if needed.

COUNCILMEMBER LEE: Okay.

CHAIR KAMA: Yeah, she's…

COUNCILMEMBER LEE: Okay. Do you have anything to add to that?

MS. PALI-CRUZ: Yeah, I want to make sure, just to clarify the language, our message was the same. There are some banks that allow it.

CHAIR KAMA: Yeah.

MS. PALI-CRUZ: But that's the problem, it's some. And so, to think that we had to, we would have to have all buyers go through one single resource, every buyer comes in with their own puzzle pieces. It would just be a travesty to force them to go to one, or two, or three resources. And so, in my testimony, I was just clarifying that with 200 let's say loan programs, why would we say well we found three that will do it. So, let's force them all through the three. When we shop for a car, we don't just go to one dealership. We'll go to all ten dealerships. When we buy our groceries, we want options to go to five different grocery stores. I know personally, I can only get certain ingredients from Foodland because Safeway won't sell it. So, that's just the warning and suggestion that I gave is yes, Fanny Mae has lifted, and Autumn was right on, they have progressively been more flexible with these affordable housing projects because it is something that our entire nation is moving for. No doubt, those were all factual and I agree with those. My suggestion is because I meet these new puzzle boxes and puzzle pieces when I meet families, some will be left on the side because they won't meet specific criteria. And I just think we would do a disservice if we just don't consider that as we're writing the policy. I also wanted to make a comment about the REALTORS® Association letter. So, I've been sitting on the REALTORS® Association's Board for a total of about eight years. I'm not a licensed realtor. You have to be a licensed realtor to be a Board of Director. But they have one single chair, and it's called an affiliate liaison. It means that I'm not licensed, but my business supports their business. And so, I've held that chair for many years. I may have also been on the chair on 2013. I have to go; I try to give other people an opportunity to share. But nobody seems to step up. And then, last year I stepped down. And so, you know, if you read the rest of the letter, they talk about in the second paragraph, three paragraphs higher than where she quoted that, you know, there's true difficulties with this policy 2.96. And he makes really good comments that you might want to refer back to on things that could be considered as we're, you know, starting to update it. And I just applaud everybody because, you know, updating something that's been around for a really long time to suit our needs today, we're all just eager to make more affordable housing free for everybody, so, available for everybody, so I appreciate it.

CHAIR KAMA: Thank you. Thank you. Did you want to make a comment, Mr. Almeida?

MR. ALMEIDA: Thank you, Chair. I just wanted to clarify that under Chapter 3.35, Maui County Code, which is the Affordable Housing Fund, out of all the funding that's gone into all the projects that have been funded through the program, they are all still deed restricted. Nothing has gone to market. All the projects are funded to nonprofits who have long term affordability periods, either LIHTC, Habitat's model is 25 years, Lokahi 30. So, they're all still deed restricted, no unit ever funded under the Affordable Housing Fund has ever been flipped. Thank you.

UNIDENTIFIED SPEAKER: That's good.

CHAIR KAMA: Thank you. Mr. Molina, sorry, I gotta look to you. Okay. I'm here.

VICE-CHAIR MOLINA: That's okay. Just a question again for the Department, and maybe Mr. Ige can chime in on this. It was related to slide three on the developer credits about developers, they sell their credits. How much do developers typically sell these credits for? And does the County get a piece of the action out of this when developers sell their credits? I have to ask. As ridiculous as it may be for some people, but just stem my curiosity, 'cause it is a commodity, you know, certainly a valuable commodity. And I wonder if maybe some developers are jacking up the prices in their sale, you know.

CHAIR KAMA: Mr. Ige?

MR. IGE: Councilmember Molina, I kind of like to politely decline on revealing any kind of numbers. It will, when credits are sold, they'll be sold at what the market bears and not necessarily all the times it's for money, it's for stakes in projects. So, there's other factors that go into a credit sale.

VICE-CHAIR MOLINA: So, kind of like one quid pro quo yeah, almost? I don't know if you're giving --

MR. IGE: Correct.

VICE-CHAIR MOLINA: --you get that back or something, yeah.

MR. IGE: Correct.

VICE-CHAIR MOLINA: It's business, it's business. Okay. So, the credits are sold. So, the Department doesn't get involved with, you know, when a developer wants to sell those credits? The Department doesn't get involved in the dealings, I guess?

MR. ALMEIDA: Thank you, Chair. That's correct, Member Molina. We do not get involved with the negotiations or the contract price. We only track the transfer of the credits.

VICE-CHAIR MOLINA: Okay. Okay. Thank you. Thank you, Chair.

CHAIR KAMA: Yes, Mr. Hokama?

COUNCILMEMBER HOKAMA: This may be more for our Department. The County, we own land, yeah, and we're not leasing land like State DLNR or whatnot for projects. So, is that something the Department would want the Council to consider regarding leasing certain County lands for housing projects? Or you're going to wait until Council makes a decision?

CHAIR KAMA: Yes, go ahead, Ms. Munsell.

MS. MUNSELL: Recently, there was a review of County currently owned lands and they were pretty limited. We actually looked at which ones could be developed and are pursuing the ones that seemed to be likely candidates. If we did own more land, then absolutely, we would like to partner with developers to lease that land to allow them to do construction. Depending on what the project would be, it might be a lease or a for-sale project. But yes, we would be very interested in that.

COUNCILMEMBER HOKAMA: Including swapping that one into a better site? We're not, we may not necessarily own it where we want it. So, just like me, I don't think the State should be developing Puunene. But I think they have a decent project if it was situated someplace else. So, again, I think there's opportunity. But I bring this up because there's things that I think for Ms. Pali and…rats, I'm looking at him and all I can think of is Everett, Everett, Everett. Sorry, I know you're better looking than that, Brian. But again, yeah, my concern on the lease side is, and I wish we had Finance, Chair, so maybe in the future we might need to have some comment from Finance as it regards to my concern. Leases, yeah, as we've learned in this County, can be a very bad thing as it comes to ground lease valuations. Okay. This County had to pay a lot of money for a State project because of ground lease valuations and not taking care of certain items in an agreement beforehand. So, that would be one of my concerns about valuations of ground leases, or ground value on lease land. And that is something I wish that Housing and Finance would give us comment, Chair. And also, on the leases especially, if we go and we support a program, and I appreciate the person that she gave us the Fannie Mae component, yeah. So, like with Fannie Mae, the shared appreciation option, and what happens if for whatever reason that that tenant, their buyer needs that's second mortgage? Okay. Where does second mortgage come into play now in the financing scheme? Okay. 'Cause my brain is going 180 miles an hour and all I can think of is money that's going to go out. So, I just share these questions because I think those respond were serious that want to consider options would want to know these kinds of things, Department. So, maybe, Mr. Almeida, if you have something to share?

CHAIR KAMA: Yes, Mr. Almeida?

MR. ALMEIDA: Thank you, Chair. Thank you, Member Hokama. Hopefully, this is in line with what you're saying. Under 2.96, under the current buyback provisions allowed to the County, we have the first right to repurchase. However, in the event that the owner needs to do a rate and term refinance, as long as they're not taking any cash out that's allowed. If they're going to do cash out for things such as documented home improvements where they would need a second mortgage, as long as the buyback calculation provides enough equity to do so and they can document the improvements that they're doing through legitimate means like from a contractor in a contract then it is possible for them to do that. So, we have seen instances where we have allowed that when it makes sense.

COUNCILMEMBER HOKAMA: Right, but we would have this all lined up --

MR. ALMEIDA: Yes.

COUNCILMEMBER HOKAMA: --in advance of any execution of any agreement so that both, all parties are fully aware of the transaction, responsibilities, and the liabilities? Okay. No, very good. Thank you, Chair, for this opportunity.

CHAIR KAMA: You're welcome. Ms. Tamara Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. And this is just clarifying questions on Mr. Almeida's presentation to make sure I'm clear on what the stuff is. So, on the third slide it says MCC 2.96, and I'm assuming that's the County's Workforce Housing Policy and that's the reason why you're talking about credits in relation to workforce housing units. But I guess my question is, could there be, like and my definition that I'm going off of for workforce housing units is 80 to 140 percent, and that below 80 percent is affordable. So, I just was wondering, if people create affordable housing units, do they also get credits? Or is that a separate thing?

MR. ALMEIDA: Thank you, Chair. Thank you, Member Paltin. Yes, as long as they're providing housing over and above the minimum requirement, and it's within the required AMI categories under 2.96 they are eligible to receive credits.

COUNCILMEMBER PALTIN: So, as long as it's below 140, then they get credits?

MR. ALMEIDA: Correct, anywhere in the income categories that they're exceeding, yes.

COUNCILMEMBER PALTIN: Okay.

MR. ALMEIDA: And that goes up to 140.

COUNCILMEMBER PALTIN: And that also is not one to one? Like it could be like they built workforce and they're providing affordable or vice versa?

MR. ALMEIDA: For us, work, we use the term workforce, the Workforce Policy, from my understanding when it was adopted was to get away from using the term affordable. So, but they're basically the same thing. They're interchangeable, you know, workforce housing, affordable housing.

COUNCILMEMBER PALTIN: Oh, for this --

MR. ALMEIDA: Yeah.

COUNCILMEMBER PALTIN: --presentation it's interchangeable?

MR. ALMEIDA: Correct.

COUNCILMEMBER PALTIN: Oh, okay, okay. Thanks, I just was a little confused.

CHAIR KAMA: Ms. Keani Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I wanted to dovetail off of Member Paltin's last question first, so. So, the way that the credits are designed, right now is there any stipulation in the language of 2.96 or anywhere else that says that credits earned for a specific AMI must be used for the same AMI?

MR. ALMEIDA: Thank you, Chair. So, these are some of the points that, you know, the credits can be used for. And again, we wanted to kind of mirror the State's credits. So, we, when we reviewed it in 2014, 2015, we took those restrictions off. So, there are, they're not bound to income category or community plan area. They can be used to satisfy any requirement.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. That needs to be fixed. Okay. And so, I had a couple other questions for the Department, whoever wants to, for the benefit of the public for those that are watching, how much is market rate? How much does a market rate house cost right now in…okay?

CHAIR KAMA: *. . .(inaudible). . .*

MR. ALMEIDA: Thank you, Chair. I would defer to Ms. Pali, as she works in that area every day. Thank you.

CHAIR KAMA: Go ahead, Ms. Pali.

MS. PALI-CRUZ: I didn't see the January posting. But the REALTORS® Association posts a monthly recap of the, they call it a medium income price range based off of the sales for that month, and then they do for the year. And I know that the yearly annuals, but last time I saw it was about 713. So, but that's why I kind of mentioned, you know, the average medium household, single-family residence sells for about 713,000. And they'll take the lowest end to the highest end, that's kind of where your average is. If you were to go to the Real Estate Association of Maui website, which is RAM, you know, then you can just kind of, I just start with like 550 and to see if I can see anything at 550 and you might get like two or three and they're kind of bust up and, you know, you kind of need cash to get those. And then you kind of go to up, well, let's see what we get between five and seven, and then you might find some. But pretty much everything is seven and up.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah, so, 713 approximately right now for a market rate. And so, you know, AMI-wise it stops at 160. So, just so people have a better understanding of what we're talking about when we're saying, you know, 160 percent AMI, you know, market rate, below market rate. What…let's see, for 700, oh that's interesting 'cause, okay, and so, Ms. Pali-Cruz, you said that it's 713 and you're saying for, is that like a two-bedroom, three-bedroom?

MS. PALI-CRUZ: It would just be the average of all the sales in the last month is how they do their statistics.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

MS. PALI-CRUZ: Yeah, I don't know that you --

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. So...

MS. PALI-CRUZ: --you know, I have a lot of loans in the pipeline right now, and it's, four-bedrooms are not common, not as common as the three-bedroom. And so, I would say that, I think, are you getting to that point like hey, would you buy a market priced, or would you buy affordable. But if it ends up being the same, what's the point, maybe? Is that where you're kind of eluding to?

COUNCILMEMBER RAWLINS-FERNANDEZ: No, I'm --

MS. PALI-CRUZ: 'Cause I see the 743...

COUNCILMEMBER RAWLINS-FERNANDEZ: --I'm supporting Member Hokama's point of like --

MS. PALI-CRUZ: Oh, okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: --we should do, you know--

MS. PALI-CRUZ: Sorry. 'Cause I do see that the four-bedroom for the..

COUNCILMEMBER RAWLINS-FERNANDEZ: --we should do a moratorium on market rate, because that's what --

MS. PALI-CRUZ: Got it.

COUNCILMEMBER RAWLINS-FERNANDEZ: --we're talking about, $700,000.

MS. PALI-CRUZ: Yeah, yeah. Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: All right, and so --

MS. PALI-CRUZ: Totally.

COUNCILMEMBER RAWLINS-FERNANDEZ: --at 160 percent AMI, a three-bedroom is $739,100. And that's considered gap income, 160 percent AMI. So, at 140 percent AMI is 646,700. So, $646,000 is for 140 percent AMI.

MS. PALI-CRUZ: Right.

COUNCILMEMBER RAWLINS-FERNANDEZ: That is, I mean . . .*(inaudible)*. . . 60,000 less than market-ish, right now, 713 minus 646. Okay. So, even at 140 percent AMI I think it's crazy. So, Ms. Munsell, I'm wondering if you perhaps could help me understand. I was trying to figure out how the AMI, so people's income connects to the amount that they're expected to be able to afford for these house prices, right? So, you know, we're told that, you know, people should be able to afford a third of their income on a house, you know, a third of their income, you know, they should be able to pay off their mortgage or their rent. And so, I did that math on, what was it, 100 percent AMI. So, 100 percent AMI is about $83,800. I'm, personally, I'm below that. So, you know, when we're talking about, you know, teachers, and nurses, and police officers, I'm trying to figure out where they are here and how much they could actually afford. So, a third, so, 83,800, a third of that annually is $25,140. And, you know, over 30 years I multiply that, it's $754,200. And it says that at 100 percent AMI affordable, or the rate that person or that household should be able to afford is $461,900. And so, I multiplied that by an interest rate of 4 percent and so, annually is $18,476 and I multiply that by like a, you know, general length, the duration of the mortgage is 30 years, so it's $554 in interest, and I add that to the $461 and, you know, ultimately, at the end of a mortgage it would be $1,016,180, which is nowhere near $754,000, you know, over 30 years that a person at 100 percent AMI can afford. So, I am, I guess I'm at a loss of like how these numbers are determined. I cannot afford a $461,000 home. And so, I don't know how I'd expect those that are making even less than me to afford these houses. How are we, what formula are we using to develop these numbers? And it looks like Chair Lee has the answer.

COUNCILMEMBER LEE: . . .*(inaudible)*. . .

CHAIR KAMA: Yes, Ms. Lee?

COUNCILMEMBER LEE: I think it's incumbent upon us to provide a wide range of housing opportunities for our residents. I don't make that much money myself. But attorneys do, doctors do, teachers do, with, you know, two teachers in a household make $200,000. I mean, we need, we…

COUNCILMEMBER RAWLINS-FERNANDEZ: Sorry, sorry, Chair --

CHAIR KAMA: No, yeah --

COUNCILMEMBER RAWLINS-FERNANDEZ: --fact check.

COUNCILMEMBER LEE: --our obligation is to…

CHAIR KAMA: Yeah, I don't think teachers make that much.

COUNCILMEMBER RAWLINS-FERNANDEZ: Teachers don't make $100,000.

CHAIR KAMA: They make like 60.

COUNCILMEMBER RAWLINS-FERNANDEZ: They make about 40,000.

COUNCILMEMBER LEE: No, no, no, no, no, no.

CHAIR KAMA: The administration does.

UNIDENTIFIED SPEAKER: No, no, no.

COUNCILMEMBER LEE: I have nieces and nephews in my family that make around 80,000, you know, as teachers, so...

COUNCILMEMBER RAWLINS-FERNANDEZ: No, that's not, I mean, no, fact check, I know, it's like --

COUNCILMEMBER LEE: Okay. But let's forget the teachers --

COUNCILMEMBER RAWLINS-FERNANDEZ: --starting pay is like 44,000.

COUNCILMEMBER LEE: --every single director in this --

COUNCILMEMBER RAWLINS-FERNANDEZ: Maybe after 30 years.

COUNCILMEMBER LEE: --in this County makes over a hundred grand, every single Director --

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: --every single deputy. So, there are many, many people, professional people. Should we stymie them? Should we prevent them from moving up? Our obligation, to me, first, is to help the less fortunate. Yeah, let's help them. And we are trying to dedicate all of our Affordable Housing Funds to those who are not as fortunate. Okay. But then there's some people who are successful and are moving up the chain. Why should we stop them, you know? And not all of them are from Oklahoma. I mean, I'm talking about people who live here. If, and then, just look at this, this way, if they move from their current homes and they move into, they upgrade, that leaves that house for somebody else. You know, what we have to try and do is figure out a way to keep the houses for our local residents, not stop housing altogether. How do we figure that one out because there's a, you know, a constitution we're dealing with, but there's gotta be a way so that our residents will not be outbid by those from the mainland. Now, to me, that's one of the biggest challenges we have. But again, I'm really clear in my mind, help those less fortunate, help them move up, and those who are doing well, hey, let them move up too. Thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair Lee. I completely agree with everything that you said. But the question that I was asking was tied to how is the AMI connected to the amount that we're expecting those with that AMI to pay for this house? That was my question.

MS. MUNSELL: Chair?

CHAIR KAMA: Yes, go ahead, Ms. Munsell.

MS. MUNSELL: So, the sales price that's listed here is the sales price of the house. Obviously, we're going to, there's a 5 percent down that's assumed. I did look at the calculation in here and it had future value and all kinds of things in there that I didn't understand. So, I'm going to punt this one to Kellie.

MS. PALI-CRUZ: Right off the bat, I'm pretty sure we're using a Federal model, right? Okay. So, this, number one, unfortunately, we didn't, you know, it's a Federal model. But I'll, I'll use the same numbers to help you on a banking side to how we get people to fit in this model that we don't have control over. So, I used your, I may have used the one above it at the 531. But basically, let's go with the 83,800 salary, is that what you're on, 83,800 salary under the 100 percent?

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah, that's the 100 percent AMI, yeah.

MS. PALI-CRUZ: Okay.

COUNCILMEMBER RAWLINS-FERNANDEZ: And then, I just did the three-bedrooms because like you said, four-bedrooms are kind of rare. But if you wanted to go with the four-bedroom that's fine too.

MS. PALI-CRUZ: Yeah, yeah, well, I'll do the numbers that you did just because you wanted to know. And so, I didn't do that in two seconds 'cause I did the one above it. So, right off the bat, if you're at 83,000 and you just divide it by 12 months, you're gross income is 6,900. Now, we know you don't get the 6,900 because it's gross, it's before taxes. But all lending, generically speaking, allow you to pay out of your gross 45 percent, that's kind of the sweet spot, someone said sweet spot, 45 percent. So, if I just take 6,900, which is your gross monthly based off of an 83,000 salary, then, 45 percent is 3,142 monthly. So, when we qualify when people come to us, any bank or broker, the max your home can cost you and any debt, and we talked about that, student loans, car loans, is 3,142. Now, you mentioned a 30 percent. So, that would be your income against your housing payment, and then, your income against your housing and other debt. So, the max you could sell is 3,142. If you did, I don't know, a 3 percent down loan, then your loan at 461 would be at 97 percent. So, you would now be needing a loan for 447. Just I'm rounding up just for ease of numbers. At 3 percent today we could lock you in, now this is today, last year it could've been different.

COUNCILMEMBER RAWLINS-FERNANDEZ: Can you use the 4 percent?

MS. PALI-CRUZ: Oh, 4 percent? Okay. We'll just use 4 percent.

COUNCILMEMBER RAWLINS-FERNANDEZ: Because that's what the Federal is, has provided us, yeah.

MS. PALI-CRUZ: No problem. So, that gives you a monthly payment before taxes and insurance at 2,134. So, 2,134, you get the exemption, homeowners' exemption, $2.90 every thousand, you know, maybe $75 for your taxes, and then maybe $85 for hurricane and hazard insurance. And then, you probably would have private mortgage insurance. So, if I'm talking too fast I'm going to recap, $2,132 for the mortgage payment, let's add some taxes, 75 bucks, let's add some insurance 85 bucks, and PMI if your credit score was over 700 today you could go with a company like Radian and get maybe like $175. So, all in all, your mortgage payment is about 2,400, 2,467. Okay. The lenders will let you go up to 3,100. So, if you've got a car payment at 300, 350, you qualify. If you've got a car payment and some student loans, you'll qualify. If you got a car payment, and a couple debts, you'll qualify. So, on paper you qualify. But here's where you're getting that, just because it looks good on paper, it doesn't mean it's actually logistic for the family. It doesn't mean it fundamentally works. And so, that's why the lenders, when they qualify you at 45 percent income-to-debt ratio, they allow that extra 55 percent for other stuff. Nowadays, it's medical. Ten years ago, we, that was all included with the employer, right, food, gas, those kinds of things. And so, depending on your lifestyle, depending on your obligations, depending on who you're caring for, maybe you've got kupuna now living with you, and you still have your kids you're taking care of. I mean, yeah, fundamentally it's a tough situation. But to answer your question, that's kind of how it works. And that's, and so, to also finish the answer, this model does work, but again, it works better if you go in with it and your debts are done. No more car payment, no more student loans, no more credit cards. That's where it really starts to work for the clients.

COUNCILMEMBER RAWLINS-FERNANDEZ: Right, mahalo for that banking insight. But as, it still doesn't answer my question about --

UNIDENTIFIED SPEAKER: How.

COUNCILMEMBER RAWLINS-FERNANDEZ: --how did they figure out these numbers to say that those that can, those that make this much money will, you know, should, can only qualify for 461 or above?

MS. PALI-CRUZ: Yeah, there's a Federal department that handles that, we call it HUD.

COUNCILMEMBER RAWLINS-FERNANDEZ: Right.

MS. PALI-CRUZ: And they're the ones that do all these extreme calculations.

COUNCILMEMBER RAWLINS-FERNANDEZ: I know who does the formula. I want to know what is the formula because I don't understand this. And if I don't understand this, then that means my constituents don't understand this either.

MS. PALI-CRUZ: Sure, yeah --

CHAIR KAMA: Maybe we need to create our own formula --

COUNCILMEMBER RAWLINS-FERNANDEZ: And I want them to understand this.

CHAIR KAMA: --just for our own County.

COUNCILMEMBER RAWLINS-FERNANDEZ: So, okay, so, my understanding right now --

MS. PALI-CRUZ: We don't know.

COUNCILMEMBER RAWLINS-FERNANDEZ: --is that nobody understands how we get these numbers, nobody.

CHAIR KAMA: Correct.

COUNCILMEMBER RAWLINS-FERNANDEZ: And then, and we don't see that as a problem. I see that as a major problem because people at 83,800 at 100 percent AMI cannot be expected to pay this much for a house. They shouldn't be expected to pay that much for a house.

CHAIR KAMA: Mr. Sinenci, you had a question?

COUNCILMEMBER SINENCI: Thank you. I was just looking at some of this, somebody gave us the *Maui Times*, table 16, the top 6 reasons for not buying a home. And I don't know if you received this. So, on Maui it says 60, almost 62 percent of Maui residents feel that it, homes are too expensive, and 23.5 percent say that they can't afford the down payment. And just for clarification, Mr. Ige, is that normally 10 percent so, a $700,000 home at 10 percent down so it would be about 70,000 as your down payment, correct? Mr. Ige? For down payment, or, Kellie, if you want to chime in?

MS. PALI-CRUZ: Yeah, you're accurate.

COUNCILMEMBER SINENCI: Okay. So, I can understand, you know, some of the frustration. But we were, again some other countries, and I don't know, I know it's not feasible here, but some other countries they had like a 100-year mortgage. I don't know if that, I know that's not feasible 'cause banks, you know, want to make a return on theirs. But, I mean, something like a 100-year mortgage loan would definitely include your, the generations below you. So, buying a home for that type of span, year span, would include your sons, your daughters, next generations to continue that mortgage. But, I mean, when you look at it, I'm just throwing it out, Chair, that when you're looking at that kind of range, then it becomes, then it becomes a property that is perpetuity beyond just one generation but several generations. Thank you, Chair.

CHAIR KAMA: Ms. Lee?

COUNCILMEMBER LEE: I think we need to respond to what Member Rawlins-Fernandez brought up --

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: --because it comes up all the time. How does HUD develop this formula? Because what we're looking at is information based on HUD's guidelines.

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: It's not something we dreamed up. So, every year they refresh it and then they update it, I mean, and we always ask how do you come up with this formula? What's this formula based on? And we never ever, ever get an answer. Maybe you have lately, but we have tried in the past and we weren't able. And one of the reasons why we didn't push it too much is because they give us millions and millions in dollars for Section 8 --

CHAIR KAMA: Yes.

COUNCILMEMBER LEE: --and other Federal programs. So, we tend to follow whatever guidelines they establish without a whole lot of pushback. But perhaps, lately this Administration has been able to find out more along those lines. So, maybe Ms. Munsell, do you have an answer to that?

MS. MUNSELL: So, as far as the median, average median income goes, that is calculated for a certain, provided to us by HUD and that number is calculated based off the ACS, which is a five-year, it's a five-year average, which is a US Census poll of incomes. They take that average, and then they apply a consumer price index increase to it. So, I think the 2019 numbers are based off of the 2012 through 2016 ACS numbers. And then, the consumer price index is applied to that. There is an explanation of how the calculation is done in the website, and I can provide that. I actually have a copy with me now. It's not a pretty copy, but I can give that to you. As far as the numbers inside the chart, you, we would actually have to have a mathematician explain how those numbers are actually calculated. I did look at the calculation and I can show you what the calculation is. Do I understand what the calculation means, I don't.

COUNCILMEMBER LEE: Yeah, and we never did either.

MS. MUNSELL: Yeah.

COUNCILMEMBER LEE: It was just numbers.

MS. MUNSELL: But if that's something you're concerned about and we can get a mathematician in, or someone who actually understands how those things are calculated so that you can understand it.

COUNCILMEMBER LEE: Oh, I'm not, I don't have a burning desire to find out exactly how that works. But would they penalize us if we revise some of the numbers ourselves?

CHAIR KAMA: Ms. Munsell?

MS. MUNSELL: So, the AMI numbers I would sincerely recommend that we leave alone. If you want to try and diddle with the numbers on the inside of the chart, which is the sales prices, you could include other expenses in there in some fashion. And I've seen other models. I'm not sure exactly how it would be done.

COUNCILMEMBER LEE: I mean, it's not --

MS. MUNSELL: The problem…

COUNCILMEMBER LEE: --it's really not up to us, it's up to the banks.

MS. MUNSELL: Well, and well, I mean. . .

COUNCILMEMBER LEE: Fannie Mae, Freddie Mac.

MS. MUNSELL: So, for instance, we do have a multi-family sales price guideline as well. It's farther down, it's not on Page 1, it's not what you typically look at, it's farther back. I forget what page it's on. But in there, we say that the average--what's the fee you pay if you're a--association dues is about $200 a month. Now, I don't know what the actual average is in the County of Maui. I've asked Staff to look at that. But we can change that number which would certainly then affect the sales price in the chart. Now, whether you can do that as well, take taxes into consideration, PMI into consideration, all those things for the regular single-family homes, I'm not sure. We can look at that. Now, the trick though is when you change those sales prices, you also affect the ability of the developer, that's, you're limiting the sales price to the developer, right? And so, whether the developer can still afford to build that house at those AMI's is a different story as well. So, that has to be taken into consideration.

COUNCILMEMBER LEE: Okay. And it's my final comment/question, is 12 years ago we decided to make some changes to those charts, to those guidelines. And for the outlying areas like Lanai, Molokai, and Hana, we changed it, we lowered the AMI's based on Census information. So, is that something that you still do today?

CHAIR KAMA: Go ahead.

MS. MUNSELL: Thank you, Chair. What HUD gives us is just the Maui County number. And the adjustment made for the outlying areas is a different calculation based on something that maybe Mr. Almeida can…

MR. ALMEIDA: Thank you, Chair. It's also based on the five-year average from the ACS data. We look at the averages, they come out annually, and we can get specific area median incomes for Hana, Lanai, and Molokai. And we do publish those separately and they are lower.

COUNCILMEMBER LEE: Thank you, Madam Chair. Thank you.

CHAIR KAMA: You're welcome. Members…yes, Ms. Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Okay. I think this might, I don't know, whoever wants to answer it. Okay, all right, so, my understanding is when there's like a percentage of the affordable housing, or the workforce housing, whatever you want to call it, when they're built, you know, and then the market rate or higher homes are built that developers use similar material, right? So, the houses kind of look similar so you have, and please correct me if I'm wrong, but, you know, the granite countertops, the, you know, American-style houses. And really, what a lot of our, you know, community members can afford are more of the plantation-style homes which were on post and pier. And so, why are our developers, those, you know, that, you know, have to include a percentage of workforce and affordable housing in whatever development over, you know, ten houses, you know, why are those methods not implemented so that we can build houses that our people can actually afford?

CHAIR KAMA: Ms. Munsell?

MS. MUNSELL: I think what we…

MR. IGE: I…

MS. MUNSELL: Yeah.

CHAIR KAMA: Oh, okay, Mr. Ige?

MR. IGE: On some of the, like a post-and-pier housing we've looked at that. And then, we go out and pricing post and pier, it ends up being more than concrete. The plumbers don't like to get under the house, crawl under the crawlspace, you got to add stairs, then you got the, how do you get into the garage. So, you add all those types of issues on the post-and-pier stuff. So, now everybody, everything's traditionally done on a slab. So, it's just more convenient, it's accessible, and it goes faster.

COUNCILMEMBER RAWLINS-FERNANDEZ: Ms. Munsell, did you want to add anything?

CHAIR KAMA: Yes, go ahead.

MS. MUNSELL: Actually, I was going to defer to the developer 'cause they would know.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Ms. Munsell.

CHAIR KAMA: Mr. Hokama?

COUNCILMEMBER HOKAMA: From experience, Chair, I think Mr. Ige is right. For the contractor that's building it, it's easier, yeah, mass grading, mass slab pouring, guys work on the slab instead of under. But for the homeowner when there's issues with the underground, with the slab, it costs you big money.

CHAIR KAMA: Yeah.

COUNCILMEMBER HOKAMA: Because now you gotta break concrete, you gotta rebreak this, you gotta then repour and redo. So, there's a cost someplace, yeah? I think though, we've shown that post and pier can work in Hawaii. We may need to adjust Building Code; we may need to adjust some standards within our Codes or subdivision components. But it can be done. This is what built Hawaii, post and pier. That's what built this State. So, I think there's opportunities. And maybe one of the things is how we look at materials. Maybe we gotta have one governmental material clearing house and everybody buys from the government; wood, concrete, and whatnot. You guys don't like it, go someplace else and build. Okay.

UNIDENTIFIED SPEAKER: Yeah.

COUNCILMEMBER HOKAMA: This is what, if this is what works for us, Chair, then this is what we need to do.

UNIDENTIFIED SPEAKER: Yeah.

COUNCILMEMBER HOKAMA: Yeah, what is the community without local residents? Nothing.

CHAIR KAMA: That's right. Ms. Sugimura?

COUNCILMEMBER SUGIMURA: Yeah, thank you. I'm quite sure you're going to be winding down.

CHAIR KAMA: Yes.

COUNCILMEMBER SUGIMURA: But before we lose Kellie Pali --

CHAIR KAMA: Yes.

COUNCILMEMBER SUGIMURA: --Cruz. I wanted to ask her, in your opening statement where you said that what we do, you hope we don't hinder the ability for people who want to borrow, or you know, from what you see. Can you explain that? I'm probably not saying it exactly how you said it.

MS. PALI-CRUZ: Yeah, so, I was just mentioning that we do have lenders that now allow for the longer-term deed restrictions and they used to not, and they have evolved which is really great news for us. But not all programs are yet there. And just also to clarify, I may have missed saying Fannie Mae probably only insures, I don't know, I haven't looked at the recent data, but 70 to 80 percent of our loans. The other bulk is Freddie Mac which is a whole different system. And so, as we talk, throw around Fannie Mae, Freddie Mae, that means just Fannie Mae loans. It excludes VA, USDA, FHA, you see? So, there's different insurers. And then, we follow their guidelines within that. And so, my professional recommendation was just that if we go too strict, but yes, we need to have guidelines and regulations, but we just have to be careful that, that one family that is on the lower income and they come to get the loan, if we do it too much, then they might not fit through just one portal. They might've needed the other portal that we've now squeezed out because we've put so much regulation that we can't give them all the offerings that any other person would have access to if they bought a market-value house. And so, I just think it's just only fair that a first-time homebuyer, or someone applying for an affordable house, whether they buy a market-value house or an affordable house, I think they deserve the same open opportunities, every option, every loan program, any bank they want. And I think it's just only fair that we don't limit them and kind of hustle them in to one or two options because then rates are different, down payments are different, maybe this bank says that you need a 700 credit score to get a better lower private mortgage insurance, but the other bank that had less restrictions, they say oh, we can give you private mortgage insurance cheaper even though the credit score's at 660. You know, there's all these little intricate things that would take our client's payment to go from really cheap to real expensive. And you guys are only focused on the top end, purchase price, purchase price, purchase price. You have no idea, which is what Rawlings [*sic*] was, Council, I want to say commissioner, sorry 'cause of my brain, Councilmember Rawlings [*sic*] was eluding to. What is that bottom line to the homeowner every single month? So, we're up here talking purchase price, but the bottom line is that the borrower and that family is stuck with that monthly payment. And if we overdo it too much, we're actually contributing to higher monthly payments when we don't have to. So, that's just, it's just a caution is all.

CHAIR KAMA: Yes, Ms. Keani Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Mahalo, Ms. Pali-Cruz, for that information. My last name doesn't have a G. Rawlins-Fernandez, mahalo. So, my understanding is, local banks and non-local banks sell 99 percent of all their mortgages to the GSA's, so, government serving agencies, which are Fannie Mae, Freddie Mac, USDA, FHA, VA, and Ginnie Mae. They are the ones who create the underwriting guidelines that we must all adhere to. So, to say that only a few local banks will do the loans on homes with deed restrictions is not true because all of us, all the loan, lenders must adhere to what Fannie, Freddie, USDA, VA, Ginnie require them to do. And I have like further information on the guidebooks which show exactly what, that Fannie Mae will and does lend on deed restrictions. And I think that, oh, this was actually submitted by Ms. Ness. Yeah, Ms. Pali-Cruz?

MS. PALI-CRUZ: May I respond? So, you ended with Fannie Mae will, but you just named five other agencies besides Fannie Mae. And that's just what I'm commenting on. Fannie Mae is one, and it's a portion of the 99. But then, Freddie Mac has a portion, Ginnie Mae has a portion, they all have different portions and they all have different guidelines and different set of rules. Ginnie Mae does not follow Fannie Mae rules. Government, FHA, VA, USDA, they don't follow Freddie Mac rules, I mean, Fannie Mae rules, they all have their own set. And so, as I mentioned in my opening statement, because it's January, well, it was January, we just opened the new year, they all start to update their guidelines and programs. And so, every January I have to send out to all of the different hubs, Fannie Mae, Ginnie Mac [*sic*], Fannie Mae, Freddie Mac, all of them to just see where are you now, what are the changes that you're introducing January 1, 2020. And so, when I get that back, which should probably be in a couple weeks, I'm going to provide that for you for all the agencies, not just Fannie Mae.

COUNCILMEMBER RAWLINS-FERNANDEZ: So, to clarify, are you saying that the Freddie Mac will not follow Fannie Mae's rules?

MS. PALI-CRUZ: I'm saying Freddie Mac has its own --

COUNCILMEMBER RAWLINS-FERNANDEZ: Right.

MS. PALI-CRUZ: --selling guide. It's about 2,000 page, and they all have different --

COUNCILMEMBER RAWLINS-FERNANDEZ: But my question is, will it...does it not?

MS. PALI-CRUZ: --guidelines. It has, my answer would be, it has its own guidelines. Fannie Mae has its own guidelines for Fannie Mae loans, Freddie Mac has its own...

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. But that doesn't answer my question.

MS. PALI-CRUZ: Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: Does it not?

MS. PALI-CRUZ: The reason why I can't answer that is because there are similarities. Fannie Mae will have rules on certain agenda items, and so will Freddie Mac. They'll agree on some things. But they disagree heavily on many other things. So, their own set of rules.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. So, this might not be an item that they would disagree on.

MS. PALI-CRUZ: I don't know that.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah. Okay.

MS. PALI-CRUZ: And so, as I mentioned, you're just confirming that you have something from the selling guide from Fannie Mae that says they have relieved, they don't have deed restrictions. And I've already confirmed Freddie Mac has released deed restrictions. I actually called you I think, Chair Kama, your people to let them know that we have confirmed that Freddie Mac has released any timeline for deed restrictions. But I have not gotten the documentation from the selling guides on all the other entities. So, until we have that proof, but it would be a mistake to assume that because Freddie Mac allows it that the other ones do until you get the selling guides in your hands.

COUNCILMEMBER RAWLINS-FERNANDEZ: Right. Okay. Last question, Chair? So, if we were to require subsidized homes to be deed restricted for 30 years, or even in perpetuity, can you see more local banks amending their lending guidelines to make their loan terms more favorable since that's what the portion of the market would be demanding?

MS. PALI-CRUZ: I don't know what the direction would go. But I'll tell you a few things about some local banks. One of my favorite local banks is First Hawaiian Bank. They offered another program called MCC, and it's a Federal-funded program where you can apply for it, you meet income limits, and they'll let you reduce your employer tax that gets taken from your payroll so that your checks are bigger. And then in exchange when you go to file your Federal return that your tax requirement is lower because ultimately, they want more money into the homes. Because of whatever reason, they actually eliminated this program last year. And it's a program that not many local banks use. I also know that some local banks, if we're talking banks, now banks mean depository lenders and then there's banks that you can't do depository, they're more just like wholesale, or retail, or even correspondence. But so, just to identify when I say local banks, I'm talking about depository lenders. And so, Bank of Hawaii, they might not allow the zero-down program. Actually, I believe they do not. And so, as a broker, it's been my experience, and my testimony, that when I have a first-time homebuyer, I'm actually not using local banks. Will in the future they strive to be more open and more generous with their loan programs for first-time homebuyers? I would love that opportunity. But right now, when I'm closing zero-down loan programs, I'm not using banks here in the State of Hawaii.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo, Ms. Pali-Cruz. Mahalo, Chair. I really want to see our Committee start taking more action. I really like a lot of the ideas that Member Hokama brought up in this meeting. And I really want to see us make those things happen, like quickly. Our people need us, and we need to take action. Mahalo, Chair.

CHAIR KAMA: So, it is the intent of the Chair to bring this back, to defer this today, bring it back on the next meeting in February 19 I think is my next, our next meeting. And maybe to start the establishment of a TIG just so that we can dive deep and really get down and take care of not only some of the things that we talked about here, but things that you're going to probably discover that we didn't know, like the wow. Okay. So, thank you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I'd love to be on that TIG.

CHAIR KAMA: Well, we'll talk about that at the next meeting 'cause it's not on the agenda and we already went out of the agenda today. Thank you. But thank you...what is this. The B, Section B5.2 loans with resale restrictions, and the Chapter 13 Special Property Types. Okay. Well, thank you for that. Yes?

COUNCILMEMBER HOKAMA: So, prior to your next meeting, if I can ask you maybe to consider under your signature a couple of requests --

CHAIR KAMA: Yes.

COUNCILMEMBER HOKAMA: --for information. One, I think Ms. Pali can assist --

CHAIR KAMA: Are you writing this down, Alison?

COUNCILMEMBER HOKAMA: --us, I would like to know what is the magic of 20 percent down?

CHAIR KAMA: Okay. The magic of 20 percent down.

COUNCILMEMBER HOKAMA: Why is that the number?

CHAIR KAMA: Okay.

COUNCILMEMBER HOKAMA: And who establishes it, does this Council have ability to talk to a potential lenders to make adjustments if it makes sense. But I just need to know why 20 percent is the not --

CHAIR KAMA: Okay.

COUNCILMEMBER HOKAMA: --for, at this current time in the housing situation. And then, second, Chair, is also...wait, the first one was what I asked you, the 20 percent...oh and what I asked you the 20 percent --

CHAIR KAMA: The moratorium?

COUNCILMEMBER HOKAMA: --oh second, the ability, and I've chatted with you before --

CHAIR KAMA: Yes.

COUNCILMEMBER HOKAMA: --what I would call the 21st Century tanamoshi.

CHAIR KAMA: Yes.

COUNCILMEMBER HOKAMA: Why aren't we considering the use of credit unions more since that's community-based --

CHAIR KAMA: Absolutely.

COUNCILMEMBER HOKAMA: --and the money's going to stay within the community --

CHAIR KAMA: Yes.

COUNCILMEMBER HOKAMA: --for community benefit than always looking at lenders who want to take our money out of County.

CHAIR KAMA: Yes.

COUNCILMEMBER HOKAMA: So, that would be my two areas --

CHAIR KAMA: Okay.

COUNCILMEMBER HOKAMA: --that I would ask if you would consider getting some information for us, please.

CHAIR KAMA: Okay.

COUNCILMEMBER HOKAMA: Thank you.

CHAIR KAMA: We can do that. Any particular credit union, or you want all the credit unions? All of them?

COUNCILMEMBER HOKAMA: . . .*(inaudible)*. . . we just need to address the Maui County league, Chair.

CHAIR KAMA: Okay. Maui County league. Okay. Yes, Ms. Paltin?

COUNCILMEMBER PALTIN: And then, not sure if you got it like how Member Hokama was saying maybe Finance could be here --

CHAIR KAMA: Finance?

COUNCILMEMBER PALTIN: --next time, too?

CHAIR KAMA: Yeah, we'll bring them on the 19th, too.

COUNCILMEMBER HOKAMA: Thank you.

CHAIR KAMA: Members, anything else? If not, I would like to be able to defer our agenda and adjourn this meeting.

COUNCILMEMBERS: No objections.

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: KK, MM).

ACTION: DEFER PENDING FURTHER DISCUSSION.

CHAIR KAMA: And thank you very much, Mr. Ige, Ms. Pali. Thank you, Ms. Munsell and Ms. DesJardins. Thank you, Members, for staying so long. I appreciate it. This meeting is now adjourned. . . .*(gavel)*. . .

ADJOURN: 4:24 p.m.

APPROVED:

TASHA KAMA, Chair
Affordable Housing Committee

ah:min:200205min:mt

Transcribed by: Marie Tesoro

CERTIFICATE

I, Marie Tesoro, hereby certify that 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 27th day of February 2020, in Wailuku, Hawaii

Marie Tesoro