

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

October 7, 2016

Committee
Report No. _____

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

Chair and Members:

Your Budget and Finance Committee, having met on August 2, 2016, and September 13, 2016, makes reference to County Communication 16-125, from the Budget Director, transmitting the following:

1. The 2016 West Maui Affordable Housing Fund Annual Plan and proposed amendments to the Fiscal Year 2017 Budget as it pertains to the Affordable Housing Fund.
2. A proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017, AFFORDABLE HOUSING FUND, NA HALE O MAUI KAHOMA PROJECT."

The purpose of the proposed bill is to amend the FY 2017 Budget by authorizing a \$660,000 expenditure from the Fund for the Na Hale O Maui Kahoma Project in West Maui for the construction of 12 single family homes to be sold to families earning between 80 and 120 percent of the area median income.

3. A proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017, AFFORDABLE HOUSING FUND, HABITAT FOR HUMANITY KAHOMA PROJECT."

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 2

Committee
Report No. _____

The purpose of the proposed bill is to amend the FY 2017 Budget by authorizing a \$1,500,000 expenditure from the Fund for the Habitat for Humanity Maui, Inc. Kahoma Project in West Maui for the acquisition of 10 lots and construction of 10 single family homes to be sold to families earning 80 percent and below of the area median income.

Your Committee notes, pursuant to Section 3.35.010, Maui County Code, money paid to the County in lieu of providing residential workforce housing units, Council appropriations, and money donated to the County for affordable housing projects is deposited into the Fund. The Fund is used for the “provision, protection, and expansion of affordable housing and suitable living environments for residents of very low to gap income, including the rehabilitation of existing structures, land purchase or other acquisition of land or property entitlements, planning, design and construction.”

Your Committee notes, pursuant to Section 3.35.080, Maui County Code, the Department of Housing and Human Concerns is required to submit to the Council, for consideration, an affordable housing fund annual plan that outlines the proposed uses of Fund revenues. The Plan should include a budget amendment or a request that projects in the Plan be included in a fiscal year budget, a description of projects, the number of housing units created or land purchased for affordable housing, an identification of expenditures related to administrative expenses, and the total proposed appropriation for the subject fiscal year.

Your Committee further notes approximately \$3.9 million is available specifically for projects in West Maui. A Notice of Request for Proposals for projects requesting funding was published in *The Maui News* on March 20, 2016, and March 27, 2016. The application deadline was April 29, 2016.

The Director of Housing and Human Concerns informed your Committee the Department’s selection panel reviewed two proposals requesting funding from the Fund for West Maui projects. The selection

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 3

Committee
Report No. _____

committee recommended funding both projects: (1) Na Hale O Maui Kahoma Project by Na Hale O Maui; and (2) Habitat for Humanity Maui Kahoma Project by Habitat for Humanity Maui, Inc.

She said Na Hale O Maui will utilize the appropriation to construct 12 single family homes to be sold to families earning between 80 to 120 percent of the area median income. In FY 2015, Na Hale's Kahoma project was appropriated \$780,000 from the Fund for the acquisition of the 12 lots the homes will be built upon. The properties will be held in Na Hale's land trust and kept affordable in perpetuity.

Your Committee notes Na Hale O Maui's goal is to keep the cost of homes to \$150 per square foot or less. Homeowners are responsible for a 3 percent down payment and 2 percent closing costs. Based on need, homeowners may qualify for a matching down payment assistance grant of up to \$10,000.

The representative further said the funds requested for Habitat's Kahoma Project will be utilized for the acquisition of 10 lots from West Maui Land Company, Inc. and the construction of 10 single family homes on those lots. The homes will be sold to families earning 80 percent and below of the area median income. The homes will be built through Habitat's self-help model and Habitat will offer potential buyers an interest-free mortgage. The estimated cost of a home will be \$250,000 to \$325,000 and the estimated mortgage payment will be \$1,250 per month. Homeowners are responsible for a 1 percent down payment which may be paid through an installment plan.

Your Committee notes the homes will have a 20-year affordability period pursuant to Habitat's policy of shared equity at 4 percent per year. This means for 20 years, the home must be owned by individuals meeting income guidelines, and these individuals will receive 4 percent of the home's value each year if the house is sold. Homeowners do not recover the cost of any improvements made to their home.

Your Committee expressed concern about the homes not being kept affordable in perpetuity. Keeping the homes affordable in perpetuity is

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

Page 4

**Committee
Report No.** _____

desirable because County funds are being utilized. A representative from Habitat informed your Committee the 20-year shared equity policy was based on the reality that these homes are generally the only source of wealth and stability for families earning 80 percent and below of the area median income. Your Committee requested the representative discuss with Habitat's board the possibility of keeping homes affordable in perpetuity in the future.

The representative further informed your Committee there is a minimum requirement of 500 hours of "sweat equity" homeowners must contribute towards the construction of their home. Homeowners have a great deal of pride in their home and the majority of homeowners do not want to sell their homes within the 20-year restricted period. Habitat had two instances of homeowners selling their homes, both involving the transfer of title to children because the homeowner passed away. Habitat has the right of first refusal if a homeowner wishes to sell their home. Any funds received by Habitat from the sale of a home are deposited into Habitat's Mortgage Revolving Fund and used to provide more affordable homes. Habitat homes have two mortgages recorded on their title in favor of Habitat, the first is the financial obligation and the second is the shared equity restrictions on the property.

Your Committee noted these funding requests appear reasonable as the approximate FY 2015 and proposed FY 2017 subsidy per unit is \$133,600 and the average amount of County subsidies per unit for projects completed by others is about \$100,000. In comparison, the County's Kulamalu project costs the County about \$262,000 per unit.

Your Committee noted the demand for affordable housing in Maui County remains high. Your Committee expressed concern that funds paid to the County in lieu of providing residential workforce housing units are insufficient to meet the demands of the community and the Residential Workforce Housing Policy should be evaluated to determine whether changes need to be made.

Your Committee voted 9-0 to recommend passage of the proposed bills on first reading and filing of the communication. Committee Chair

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 5

Committee
Report No. _____

Hokama, Vice-Chair White, and members Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino voted "aye."

Your Committee is in receipt of revised proposed bills, approved as to form and legality by the Department of the Corporation Counsel, incorporating nonsubstantive revisions.

Your Budget and Finance Committee RECOMMENDS the following:

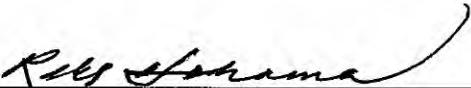
1. That Bill _____ (2016), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017, AFFORDABLE HOUSING FUND, NA HALE O MAUI KAHOMA PROJECT," be PASSED ON FIRST READING and be ORDERED TO PRINT;
2. That Bill _____ (2016), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017, AFFORDABLE HOUSING FUND, HABITAT FOR HUMANITY KAHOMA PROJECT," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
3. That County Communication 16-125 be FILED.

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 6

**Committee
Report No.** _____

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



RIKI HOKAMA, Chair

bf:cr:16013(2)aa:mmy\tntf

ORDINANCE NO. _____

BILL NO. _____ (2016)

A BILL FOR AN ORDINANCE AMENDING APPENDIX A
OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI
AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES -
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017,
AFFORDABLE HOUSING FUND,
NA HALE O MAUI KAHOMA PROJECT

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Ordinance No. 4334, Bill No. 62 (2016), Draft 1, as amended, "Fiscal Year 2017 Budget", Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for Fiscal Year 2017, is hereby amended as it pertains to the Affordable Housing Fund, by adding a proviso, to read as follows:

**“II. SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS
FOR FISCAL YEAR 2017**

	<u>ESTIMATED BALANCE AS OF 6/30/16</u>	<u>ANTICIPATED REVENUES FOR FY 2017</u>	<u>TOTAL FOR FY 2017</u>
M. Affordable Housing Fund (Section 9-20, Revised Charter of the County of Maui (1983), as amended; Chapter 3.35, Maui County Code)	20,212,525	5,469,783	25,682,308
(1) Provided, that no more than \$70,000 shall be for Administrative Expenses.			
(2) Provided, that \$2,000,000 shall be for planning, design, and engineering of the Lanai Affordable Housing Project, Phase I.			
(3) Provided, that \$290,430 shall be for the ARC of Maui County Group Home Rehabilitation/Improvement Project for the rehabilitation and off-site improvements to 4-6 of its special needs homes.			
(4) Provided, that \$450,000 shall be for the Aloha House Clean and Sober Residential Acquisition 2 of Aloha House, Inc. for the acquisition of property for a special needs facility for individuals being treated for substance abuse.			
(5) Provided, that \$2,500,000 shall be for Hale Mahaolu for the Hale Mahaolu Ewalu Senior Project Phase I to construct 38 rental units for seniors at 60% and below of the area median income.			

(6) Provided, that \$660,000 shall be for the Na Hale O Maui Kahoma Project for the construction of 12 single-family homes to be sold to families earning between 80% - 120% of area median income."

SECTION 2. New material is underscored.

SECTION 3. This Ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:



JEFFREY UEOKA
Deputy Corporation Counsel

ORDINANCE NO. _____

BILL NO. _____ (2016)

A BILL FOR AN ORDINANCE AMENDING APPENDIX A
OF THE FISCAL YEAR 2017 BUDGET FOR THE COUNTY OF MAUI
AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES -
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2017,
AFFORDABLE HOUSING FUND,
HABITAT FOR HUMANITY KAHOMA PROJECT

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Ordinance No. 4334, Bill No. 62 (2016), Draft 1, as amended, "Fiscal Year 2017 Budget", Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for Fiscal Year 2017, is hereby amended as it pertains to the Affordable Housing Fund, by adding a proviso, to read as follows:

**“II. SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS
FOR FISCAL YEAR 2017**

	<u>ESTIMATED BALANCE AS OF 6/30/16</u>	<u>ANTICIPATED REVENUES FOR FY 2017</u>	<u>TOTAL FOR FY 2017</u>
M. Affordable Housing Fund (Section 9-20, Revised Charter of the County of Maui (1983), as amended; Chapter 3.35, Maui County Code)	20,212,525	5,469,783	25,682,308
(1) Provided, that no more than \$70,000 shall be for Administrative Expenses.			
(2) Provided, that \$2,000,000 shall be for planning, design, and engineering of the Lanai Affordable Housing Project, Phase I.			
(3) Provided, that \$290,430 shall be for the ARC of Maui County Group Home Rehabilitation/Improvement Project for the rehabilitation and off-site improvements to 4-6 of its special needs homes.			
(4) Provided, that \$450,000 shall be for the Aloha House Clean and Sober Residential Acquisition 2 of Aloha House, Inc. for the acquisition of property for a special needs facility for individuals being treated for substance abuse.			
(5) Provided, that \$2,500,000 shall be for Hale Mahaolu for the Hale Mahaolu Ewalu Senior Project Phase I to construct 38 rental units for seniors at 60% and below of the area median income.			

- (6) Provided, that \$660,000 shall be for the Na Hale O Maui Kahoma Project for the construction of 12 single-family homes to be sold to families earning between 80% - 120% of area median income.
- (7) Provided, that \$1,500,000 shall be for the Habitat for Humanity Maui, Inc. Kahoma Project for the acquisition of 10 lots and construction of 10 single-family homes to be sold to families earning 80% and below area median income."

SECTION 2. New material is underscored.

SECTION 3. This Ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:



JEFFREY UEOKA
Deputy Corporation Counsel