

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 3, 2018

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 June 12, 2018 and July 24, 2018, makes reference to a Miscellaneous Communication dated May 21, 2018, from the Deputy County Clerk, reporting that the Council referred the matter relating to the County's contribution for Front Street Apartments pursuant to Senate Bill 2293.

By correspondence dated June 19, 2018, the Budget Director transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2019 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES – SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2019, AFFORDABLE HOUSING FUND."

The purpose of the proposed bill is to amend Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for the Fiscal Year 2019 Budget, by adding a proviso under the Affordable Housing Fund that \$250,000 shall be the County's match for the appraisal and other preparations for the condemnation of the ground lease for the Front Street Apartments affordable housing project ("Project"). Funds shall not be expended until the State Hawaii Housing Finance and Development Corporation ("HHFDC") provides dollar-for-dollar matching funds and the County and HHFDC have entered into a Memorandum of Agreement ("MOA") detailing the terms of the County's financial obligation.

Your Committee notes the Project owner is Front Street Affordable Housing Partners, L.P., and the leasehold land is owned by 3900 Corp. The Project consists of 142 rental units of which 70 units are rented at 50 percent of area median income, 71 units are rented at 60 percent of area median income, and 1 unit is available for the resident manager.

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Your Committee notes the Project was originally built utilizing Federal and State Low-Income Housing Tax Credits, in addition to certain exemptions and waivers provided by the County. While the low-income cap on the rent is for 50 years, the Project's owner has the option to sell the Project after 15 years based on a provision in the Internal Revenue Service Tax Code. If the Project is not sold at the Qualified Contract Price within the Qualified Contract Period, the owner may sell the Project at market price. If a sale occurs at market price, the affordable rent caps will be void after three years from date of sale. The Qualified Contract Period ended on August 4, 2016.

Your Committee further notes Resolution 18-75 authorized the Council Chair to contract for an appraisal of the Project's six buildings at 1056 Front Street, Lahaina, Maui, Hawaii. By correspondence dated May 11, 2018, from the Front Street Affordable Housing Partners, L.P., the County's request for permission to enter the Project for the purpose of conducting an appraisal was denied.

Your Committee noted the State has appropriated \$250,000 for an appraisal and other preparations for instituting the condemnation proceedings of the ground lease for the Project pursuant to Chapter 101, Hawaii Revised Statutes. Furthermore, the State funds are contingent upon a dollar-for-dollar match from the County of Maui. The HHFDC will institute the condemnation proceedings.

The Deputy Corporation Counsel said the MOA would be the intergovernmental agreement between the County and State, which is required when a financial obligation is placed upon the County or any department or agency. The MOA would require approval by the Administration followed by Council approval.

Your Committee noted the \$250,000 requested from the County's Affordable Housing Fund will allow the HHFDC and State Attorney General's Office to proceed with the appraisal and condemnation documents for the ground lease of the Project. Your Committee further noted the County is financially supporting HHFDC and is awaiting the MOA for execution.

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Your Committee voted 7-0 to recommend passage of the proposed bill on first reading. Committee Chair Hokama and members Atay, Carroll, Cochran, Crivello, King, and Sugimura voted "aye." Committee Vice-Chair White and member Guzman were excused.

Your Committee deferred action on the Miscellaneous Communication pending further discussion and the anticipated receipt of the MOA between the County and HHFDC.

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

Your Budget and Finance Committee RECOMMENDS that Bill _____ (2018), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2019 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2019, AFFORDABLE HOUSING FUND," be PASSED ON FIRST READING and be ORDERED TO PRINT.

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



RIKI HOKAMA, Chair

ORDINANCE NO. _____

BILL NO. _____ (2018)

A BILL FOR AN ORDINANCE AMENDING APPENDIX A
OF THE FISCAL YEAR 2019 BUDGET FOR THE COUNTY OF MAUI
AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES -
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2019,
AFFORDABLE HOUSING FUND

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

SECTION 1. Ordinance No. 4861, Bill No. 57 (2018), as amended, "Fiscal Year 2019 Budget", Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for Fiscal Year 2019, 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 2019

	<u>ESTIMATED BALANCE AS OF 6/30/18</u>	<u>ANTICIPATED REVENUES FOR FY 2019</u>	<u>TOTAL FOR FY 2019</u>
M. Affordable Housing Fund (Section 9-20, Revised Charter of the County of Maui (1983), as amended; Chapter 3.35, Maui County Code)	14,387,781	6,429,714	20,817,495
(1) Provided, that no more than \$70,000 shall be for Administrative Expenses.			
(2) Provided, that \$1,000,000 from the West Maui Affordable Housing funds shall be for the Na Hale O Maui Kahoma Homes project of Housing and Land Enterprise of Maui, dba Na Hale O Maui, for the continued construction of twelve homes in the Kahoma Residential Project. Eight home to be sold to families with a household income at 100 percent and below of area median income and four homes to be sold to families with a household income between 101 percent and 120 percent of area median income.			
(3) Provided, that \$2,000,000 shall be for planning, design, and engineering of the Lanai Affordable Housing Project, Phase I.			
(4) Provided, that \$2,000,000 shall be for a First-time Homebuyers Program. No funds shall be granted until Council has approved, by Resolution, a First-time Homebuyers Program that shall include, but not be limited to, the maximum grant			

amount to an individual and considerations regarding the overall subsidy received by an individual.

- (5) Provided, that \$1,000,000 shall be for residential workforce housing units buy-back.
- (6) Provided, that \$250,000 shall be the County's match for the appraisal and other preparations for the condemnation of the ground lease for the Front Street Apartments affordable housing project. Funds shall not be expended until the Hawaii Housing Finance and Development Corporation provides dollar-for-dollar matching funds and the County and the Hawaii Housing Finance and Development Corporation have entered into a Memorandum of Agreement detailing the terms of the County's financial obligation."

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