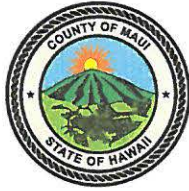


ALAN M. ARAKAWA
Mayor



COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

August 31, 2017

DANILO F. AGSALOG
Director

MARK R. WALKER
Deputy Director

RECEIVED
2017 SEP -1 AM 9:43
OFFICE OF THE MAYOR

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

For Transmittal To:

Honorable Stacy Crivello, Chair
Housing, Human Services, and Transportation Committee
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Mayor Date

Dear Ms. Crivello:

SUBJECT: KA HALE A KE OLA WESTSIDE SHELTER (HHT-20)

This is in response to your letter dated August 24, 2017, requesting information regarding the Ka Hale A Ke Ola Westside shelter and the County loan used for the building of this facility. In this regard, following please find the Finance Departments response to the questions raised in your correspondence.

Q – Provide an appraisal on the current structures consisting of a women’s dormitory, men’s dormitory, 24 studio-sized apartment rentals, and 24 two-bedroom apartment rentals situated on property identified for real property tax purposes as tax map key number (2) 4-6-015:por. 001, consisting of approximately five acres, located at lahaina, Maui, Hawaii.

A – Based on current Real Property Assessment tax records the improvements on this parcel are valued at \$171,600. Should the Committee desire a current market appraisal the estimated cost to complete an appraisal of this scope is \$12,000 - \$15,000. In this instance, please provide us with an index code to charge and we will move forward with the procurement for an appraisal of this property.

For future reference this parcel has been subdivided out of its former “mother” parcel and its current TMK number is (2) 4-6-05: 003.

Q – The five-acre parcel is owned by the County and leased to KHAKEO. The

structures situated on the parcel were built and are owned by KHAKO. Depending on the current value of the buildings, can KHAKO convey the buildings to the County to satisfy their debt? Would doing so improve the county's bond rating? If so, would it be possible for the County to issue a Request for Proposals to service providers for operation and maintenance of the facility.

A - It is our understanding that if KHAKO wanted they could convey ownership in the buildings to the County. It should be noted that when the current lease expires in 2056 the County will own all of the buildings and improvements on the property anyway. As relates to the current loan to KHAKO, the County Council has the authority to treat the subject debt in any fashion it wants including forgiveness. Based on our experience, conveying the buildings from the Westside Shelter to the County will not affect the County's bond rating either positively or negatively. If the County terminates the existing lease to KHAKO then Housing and Human Concerns could issue a new RFP for the operation and maintenance of the facility.

Q – According to the Deputy Director of Finance, the Department's records show the payback amount owed by KHAKO at the end of June 30, 2017 to be \$5.8 million. The proposed resolution references a different amount. Please confirm the accurate amount.


A – The outstanding balance (principal and interest) on the KHAKO loan as of June 30, 2017 is \$5,889,406.27.

Q – Prior to forgiveness of the Central KHAKO loan in 2014, were payments KHAKO made towards the loan used to pay back the debt service on the bond? If not, how were they applied?

A - All payments on the loan for the KHAKO central facility were recognized as "Miscellaneous Program Revenue" in the General Fund.

Thank you for the opportunity to provide comment regarding this matter and should you have additional questions, please feel free to contact me at ext. 7475.

Sincerely,


for **DANILO F. AGSALOG**
Director of Finance

cc: Carol Reimann, Housing and Human Concerns Director
Steve Tesoro, Accounting System Administrator