

RICHARD T. BISSEN, JR.
Mayor

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May 30, 2025

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

[Signature] 6-3-25

Mayor Date

For Transmittal to:

Honorable Tasha Kama, Chair
Housing and Land Use Committee
Maui County Council
Wailuku, Hawaii 96793

Dear Chair Kama:

SUBJECT: BILL 40 (2025), AMENDING CHAPTERS 2.96, 2.97, AND 3.44, MAUI COUNTY CODE, ON RESIDENTIAL WORKFORCE HOUSING UNITS (HLU-6)

The Department of Housing (Department) is in receipt of the Housing and Land Use (HLU) Committee's letter dated March 25, 2025, relating to Residential Workforce Housing Units. Due to the Fiscal Year 2026 budget session, the Department requested additional time to respond to the HLU Committee letter by correspondence dated April 10, 2025. The Department provided comprehensive input on Bill 40 (2025), as a resource, at the HLU Committee meeting on May 14, 2025. The Department's comments commence at approximately 10:35 a.m. (time stamp 1:34:20). The Department now provides supplemental written responses on the following topics:

- 1. The phase-out of residential workforce housing credits.**

There are several policy issues to address when evaluating whether to phase out housing credits, including whether a credit can (or must) be used: (a) for a dwelling unit matching the area median income level of the unit on which it was generated, (b) to satisfy the requirement for any unit type constructed, (c) in the County generally or only in the community plan in which it was generated. Another policy issue to consider is whether housing credits should be issued to projects that receive grant or loan subsidies from the County.

Phasing out credits may have a significant impact on disrupting a 20-year-old marketplace by escalating the value of existing credits and incentivizing tactical accumulation and use with addressing issues noted above.

As a result, it is the Department's position that there may be other issues and solutions that warrant a larger discussion. As noted at the HLU committee meeting on May 14, 2025, it is the Department's recommendation that policy discussions on phasing out workforce housing credits be separated from an omnibus deed restriction bill to facilitate a focused discussion on each.

2. The 99-year deed-restricted period for ownership units on County-owned land, including how the Department would manage units.

The Department is supportive of 99-year and in-perpetuity deed restriction periods on residential workforce housing units on County-owned land.

During the HLU Committee meeting on May 14, 2025, the Department employed an analogy first used by another Councilmember in an earlier HLU Committee meeting to illustrate the problem with short deed restrictions; that is, short deed restrictions are akin to a bucket with holes. As the County fills the bucket with affordable housing units, the units pass through the holes quicker than the bucket can be filled.

The need for deed-restricted units for County residents far exceeds the pace of building them. In addition, Maui's housing prices have dramatically escalated over the last decade due to market demand. This situation has been exacerbated by the 2023 wildfires. Until the

County has enough deed-restricted units to house a reasonable majority of its residents within the requisite area median income categories, it is the Department's recommendation that the deed restriction period should be long.

The Department would manage units with long deed restrictions through a vendor, while developing certain in-house capabilities to selectively take over the management process.

3. **The calculation of the maximum resale price for deed-restricted units, including whether adding 25 percent of the difference between the property's initial appraisal and the appraisal required upon a decision to sell at the owner's purchase price, is sufficient.**

As the Department has stated in HLU Committee meetings, there are several ways to calculate the maximum resale price on deed-restricted units. Those methods include tying the resale price to a consumer price index, tying it to area median income, or using a shared equity formula that limits the percentage of appreciation to the seller. But with each method, the policy objective should remain the same: maintain affordability.

Implicit in the above question is whether the 25 percent of the difference between the property's initial appraisal and the appraisal received on the owner's decision to sell is *enough equity to share with the seller*. That question identifies the collision of two policy issues, the first being how to provide and maintain affordable housing for the community, and the second being how much equity to share with owners of deed-restricted homes at the point of sale. The greater the percentage of shared equity, the less affordable the unit becomes over time.

As the Department has no empirical evidence that the County's method of calculating shared equity, or the percentage shared, is faulty in some way, it takes no position on whether 25 percent is sufficient.

4. **The selection priority of residential workforce housing units in the following order: residents of the County for three or more years, residents of the County for less than three years, nonresidents.**

The Department agrees with community testimony provided at the HLU Committee meeting on May 14, 2025, and with Chair Kama's proposed amendment to Bill 40 in Subsection 2.96.090(D), Maui County Code, that ranks resident applicants for selection by lottery by their total length of residency.

As noted by the Department in the committee meeting, there may well be some administrative challenges to consider when evaluating "total length of residency" for residents that are not continuous on island residents for discrete periods of time (e.g., attending college, military service, medical care, temporary job relocations, etc.). These exceptions would ideally be addressed in a definition of "total length of residency."

Should you have further questions, please contact me or the Department at (808) 270-7110 or email me at director.housing@co.maui.hi.us.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Mitchell', with a large, stylized flourish extending from the end.

RICHARD E. MITCHELL, ESQ.
Director of Housing

HLU Committee

From: Michelle L. Santos <Michelle.Santos@co.maui.hi.us>
Sent: Tuesday, June 3, 2025 10:39 AM
To: HLU Committee
Cc: Cynthia E. Sasada; Erin A. Wade; Josiah K. Nishita; Kelii P. Nahooikaika; Amanda M. Martin; Richard E. Mitchell; Saumalu Mataafa
Subject: MT#11084 Bill 40
Attachments: MT#11084-HLU Committee.pdf