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April 9, 2025

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

APPROVED FOR TRANSMITTAL

Richard T. Bissen, Jr.
Mayor
4-9-25
Date

For Transmittal to:

Honorable Yuki Lei Sugimura, Chair
Budget, Finance, and Economic Development Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Sugimura:

SUBJECT: LAPSED AFFORDABLE HOUSING FUND PROJECTS
(BFED-20(7))

Thank you for your letter dated April 4, 2025, relating to the above-referenced subject. Both the Budget, Finance, and Economic Development Committee's questions and the Department of Housing's (Department) responses follow:

- 1. Does the department have the authority to lapse or cancel projects appropriated by the Council? Please explain.**

The Department does not have the authority to unilaterally "lapse or cancel a Maui County Council (Council) appropriation in an adopted budget ordinance.

The Department must submit a budget amendment to the Council to remove an appropriation from the adopted budget ordinance. The appropriation is removed from the adopted budget ordinance if the Council approves the budget amendment.

2. **Correspondence dated March 3, 2025, from the Budget Director identified six appropriations from the FY 2024 Budget under the Affordable Housing Fund. Explain why the projects were not encumbered or only partially encumbered before June 30, 2024. Further, will the projects be considered for future funding. Please explain.**

A. Hale O Laie

The Council appropriated \$5.5 million in FY 2024 for the renovation of the Hale O Laie project (Hale O Laie) in Kihei, Maui. The former Department of Housing and Human Concerns (DHHC) executed a \$1.565 million grant agreement at the request of the grantee, Hawaii Housing Finance and Development Corporation (HHFDC).

The Hale O Laie building was previously used as a 178-unit hotel. The County executed a memorandum of agreement with HHFDC in FY 2024 to convert the use of the property from hotel to affordable housing, teacher housing and a public pre-kindergarten.

The scope of the grant agreement allows for lifesaving, and necessary ground and site improvements to the property. The work completed as of April 7, 2025, includes pool deck and bridge replacement, elevator modernization, and a skylight replacement.

There has been one draw from the grant in the amount of \$486,046.98. The County will seek future funding for the project to comply with the terms of the memorandum of agreement between HHFDC and the County.

B. Kuikahi Village Workforce Housing Project

The Council appropriated \$6 million in FY 2024 for the construction of Kuikahi Village Workforce Housing Project (Kuikahi). The DHHC did not execute a grant agreement because there was uncertainty related to Kuikahi's financing. The following is a brief timeline of the legislative and administrative actions taken:

In September 2022, the Affordable Housing Committee discussed the Chapter 2.97, Maui County Code, (Chapter 2.97) application for

Kuikahi, which proposed 202 for-sale, multi-family, duplex, townhome, live-work, studio, and single-family housing units for below moderate to above moderate area median income (AMI) residents.

In October 2022, the Affordable Housing Committee passed Resolution 22-193, CD1, approving Kuikahi with modifications. The Council subsequently passed Resolution 22-193.

In January 2023, Kuikahi representatives indicated approximately \$20 million in gap funding was needed from the County to develop Kuikahi. The balance of the Affordable Housing Fund (AHF) was not sufficient to approve the request. Kuikahi was subsequently not funded in the Mayor's FY 2024 proposed budget.

In April 2023, the Council appropriated \$6 million for Kuikahi as a line item in the FY 2024 budget. The appropriation was approved in the FY 2024 adopted budget.

In November 2023, the Housing and Land Use Committee discussed substantial revisions to Kuikahi, which included shifting Kuikahi from a residential workforce housing project to a 100 percent multifamily rental project. The project representatives said the proposed changes to Kuikahi would provide sufficient development financing. The revised Kuikahi project required new entitlements from the Council that would be sought through Chapter 201H, Hawaii Revised Statutes.

In December 2023, Kuikahi representatives applied for additional funding for the revised Kuikahi project through DHHC's AHF request for applications process. The DHHC convened an independent committee to rank and prioritize the project applications received during the request for applications process. The committee prioritized the projects based on project readiness, ability to leverage other sources of funding, expertise, and need.

In January 2024, DHHC submitted the list of ranked projects to the Mayor's Office to appropriate the remaining balance in the AHF. The top two projects were selected to move forward in a budget amendment to Council based on the available balance in the AHF. There was not enough funding in the AHF for the revised Kuikahi project and it did not rank high enough to be included in the budget amendment to the Council. It was unclear whether the original Kuikahi project could secure additional sources of funding in FY 2024. The budget amendment was drafted to also remove the \$6 million appropriation in the FY 2024 adopted budget to provide

adequate funding to the top two projects. The Administration proposed adding the original funding for Kuikahi in his FY 2025 budget proposal.

In February 2024, the Administration proposed a budget amendment (Bill 35) to remove funding for the original Kuikahi and the Anchor Square parcel acquisition (\$7.5 million) and reallocate those funds to the two projects that were included in Bill 35. During Committee discussions the DHHC represented the Administration would propose funds for the Kuikahi in its FY 2025 AHF budget proposal.

In March 2024, the Council passed Ordinance 5634 (Bill 35) on second reading. The Administration submitted Kuikahi's original \$6 million request to Council in the Mayor's FY 2025 Proposed Budget.

In April 2024, the Council disapproved the Administration's funding request to include Kuikahi in its FY2025 adopted budget.

In April 2025, the Council considered a time extension for the original Kuikahi and entertained discussions with the developer to revisit the revised Kuikahi project.

The Department welcomes additional funding proposals from the Kuikahi development team in future AHF application funding rounds.

C. Lanai Affordable Housing Project Master Plan

The Council appropriated \$250,000 in FY 2024 to develop a master plan for the Lanai Affordable Housing Project, which is located on a County-owned parcel in Lanai City, Lanai. The DHHC did not execute a contract for the funds because a partnership was formed with the Ikaika Ohana, a non-profit developer, to develop housing under the updated master plan from 2018.

In February 2024, the DHHC submitted a request to Congress to fund the Lanai Affordable Housing Project's offsite water and wastewater infrastructure.

In November 2024, the Council adopted Resolution 24-179, which stated the County's intent to enter into a memorandum of agreement with the Ikaika Ohana to develop the Lanai Affordable Housing Project and the Napili parcel. The first phase proposes the development of 72 affordable housing units.

In March 2025, the Department's proposed FY 2026 budget includes \$10 million to fund the develop the Lanai Affordable Housing Project's offsite water and wastewater infrastructure. The Department's proposed FY 2026 budget also includes an AHF request from the Ikaika Ohana to fund \$7.2 million for new construction.

D. Hale O Pi'ikea II

The Council appropriated \$2,150,000 in FY 24 for the development of the Hale O Pi'ikea II rental housing project, located in Kihei, Maui. The DHHC executed a grant agreement in the amount of \$1,512,407 with the Hawaii Community Development Board (HCDB).

The DHHC was able to save \$637,593 in County funds by executing a separate grant agreement using allocations from the National Housing Trust Fund (HTF). HTF supports increasing the housing stock for extremely low-income families who earn up to 30% of the AMI.

The HCDB submitted a proposal to fund Hale O Pi'ikea in FY 2026. The proposal is pending Council's approval.

E. County-owned parcel, Waikapu

The Council appropriated \$1 million in FY 2024 for feasibility studies for a County-owned parcel in Waikapu. The DHHC was not able to secure a consultant to complete the feasibility studies on the County's parcel in Waikapu.

The Department is open to completing feasibility studies on the parcel.

F. Administrative Expenses

The Council appropriated \$70,000 in FY 2024 for administrative expenses related to the AHF. The DHHC did not draw on those expenses in FY 2024.

The Department is requesting \$70,000 in FY 2026 for administrative costs related to operating the AHF program.

Should you have any 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 black ink, appearing to be 'R. Mitchell', written over a circular scribble.

RICHARD E. MITCHELL, ESQ.
Director of Housing