

COUNCIL OF THE COUNTY OF MAUI
ECONOMIC DEVELOPMENT AND
BUDGET COMMITTEE

December 6, 2019

Committee
Report No. _____

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

Chair and Members:

Your Economic Development and Budget Committee, having met on September 5, 2019, makes reference to a Miscellaneous Communication dated August 12, 2019, from the County Clerk, reporting that the Council referred the matter relating to the affordable housing development project known as the Kaiaulu O Kupuohi Apartments Project in West Maui. The Miscellaneous Communication attaches Affordable Housing Committee Report 19-88.

By correspondence dated August 13, 2019, the Budget Director transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2020 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2020, AFFORDABLE HOUSING FUND (KAIAPULU O KUPUOHU APARTMENTS PROJECT)."

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 2020 Budget, by adding a proviso under the Affordable Housing Fund ("AHF") for \$6,382,000 for the Kaiaulu O Kupuohi Apartments Project.

Your Committee notes Committee Report 19-88 states the following at pages 1-2:

Your Committee received an overview of the proposed project from the Director of Housing and Human Concerns and the developer, Ikaika Ohana. The initial project

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proposed the development of 60 affordable rental units, along with 29 market rate units, on two adjacent lots located at Kupuohi Street in Lahaina. The developer initially applied for approximately \$3 million from the AHF for land acquisition, site improvement, design, and construction costs for the 60 affordable units. The Director said the project received the highest score of the nine applications submitted.

Your Committee notes the developer has since revised the project to be a 100 percent affordable development project, having arranged the acquisition of the 29 market rate units. The developer has increased its request for AHF funding to \$6.4 million, to develop 89 affordable units for rent to qualified individuals earning 60 percent and below of the area median income ("AMI"), as set by the United States Department of Housing and Urban Development.

According to the project proposal, the project will contain 20 one-bedroom units, 34 two-bedroom units, and 35 three-bedroom units, with monthly rents for those who qualify ranging from \$443 to \$571 at 30 percent AMI; \$626 to \$825 at 40 percent AMI; and \$992 to \$1333 at 60 percent AMI.

In response to your Committee's questions, the Budget Director noted the project has a 65-year term of affordability.

Your Committee expressed its intention for the County to have the ability to purchase the project in 65 years if the owner intends to rent at market rate at any point in time. Your Committee further expressed its intention for the County to execute a complete financial analysis prior to the purchase.

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Your Committee also noted anticipated issues with traffic safety and other infrastructure. Your Committee discussed the use of development fees generated by this project to cover some of the costs to make the area safer. Citing the community's urgent need for affordable housing, your Committee expressed strong support for the project and stated its view that the County will effectively mitigate the concerns about infrastructure.

Your Committee reviewed the history of the Kaiaulu O Kupuohi Apartments Project and other projects on the same property, and then posed the following questions to the Department of Housing and Human Concerns:

1. The previous owner of this property had a residential workforce housing agreement with the County of Maui, which was recorded with the Board of Conveyances in 2015. What is the status of the agreement? How does the agreement relate to the current project?
2. The Kaiaulu Project was originally set to satisfy the affordable housing requirement for another market price project called Wailele Ridge. What is the status of the Wailele Ridge Project?
3. How can the Council work with the Department to ensure County fees collected for the Kaiaulu Project are applied to traffic mitigation in the area?
4. Each project supported by the Affordable Housing Fund "shall demonstrate that the subject project directly advances the objective of providing affordable housing in perpetuity."
 - a. What language can be added to the housing agreement or within the deed restrictions for

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the Kaiaulu Project to safeguard its future tenants from experiencing what the tenants at the Front Street Apartments did and to ensure appropriate use of the Affordable Housing Fund for this project?

- b. For example, could language be inserted to require that, after the current affordability terms expire (set at 60 percent and below area median income), the owner will continue to rent the affordable units to qualified individuals earning 100 percent and below the area median income, as set by the United States Department of Housing and Urban Development, or the County will be provided the opportunity to purchase the project before the owner may increase rents?

Your Committee expects the language in the deed restrictions of the affordable housing agreement to address your Committee's concerns.

Your Committee voted 6-0 to recommend passage of the proposed bill on first reading and filing of the communication. Committee Chair Rawlins-Fernandez and members Hokama, Molina, Paltin, Sinenci, and Sugimura voted "aye." Committee Vice-Chair King and members Kama and Lee were excused.

Your Economic Development and Budget Committee **RECOMMENDS** the following:

1. That Bill _____ (2019), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2020 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS

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FOR FISCAL YEAR 2020, AFFORDABLE HOUSING FUND
(KAIAULU O KUPUOHI APARTMENTS PROJECT),” be
PASSED ON FIRST READING and be ORDERED TO PRINT;
and

2. That the Miscellaneous Communication be FILED.

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



KEANI N.W. RAWLINS-FERNANDEZ, Chair

edb:cr:19047aa:dr

ORDINANCE NO. _____

BILL NO. _____ (2019)

A BILL FOR AN ORDINANCE AMENDING APPENDIX A
OF THE FISCAL YEAR 2020 BUDGET FOR THE COUNTY OF MAUI
AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES –
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2020,
AFFORDABLE HOUSING FUND (KAIAULU O KUPUOHI APARTMENTS PROJECT)

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

SECTION 1. Ordinance No. 4988 Bill No. 36 (2019), Draft 1, "Fiscal Year 2020 Budget", Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for Fiscal Year 2020, is hereby amended as it pertains to the Affordable Housing Fund, by adding a proviso for \$6,382,000 for the Kaiaulu O Kupuohi Apartments Project, to read as follows:

"II. SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2020

	ESTIMATED BALANCE AS OF 6/30/19	ANTICIPATED REVENUES FOR FY 2020	TOTAL FOR FY 2020
"M. Affordable Housing Fund (Section 9-20, Revised Charter of the County of Maui (1983), as amended; Chapter 3.35, Maui County Code)	11,825,037	14,321,450	26,146,487"
(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 \$850,000 shall be for construction for Hale Mahaolu Ewalu Phase II. The 22 rental units will include five units rented at or below 50 percent of the area median income and 17 units to be rented at or below 60 percent of the area median income.			
(4) Provided, that \$442,040 shall be for the Ka Hale A Ke Ola Westside Staircase project using money paid to the County in lieu of providing residential workforce housing units in West Maui; money contributed to the County for West Maui affordable housing projects; and, for any shortage, the remaining balance shall be from unrestricted funds in the Affordable Housing Fund. The rehabilitation of the staircase will preserve 48 rental units which serve a population at or below 50 percent of the area median income.			

- (5) Provided, that \$199,213 shall be for the Ka Hale A Ke Ola Renewal Project Phase III Building 7. The rehabilitation of Building 7 at the Wailuku facility would support 16 additional residents at or below 50 percent of the area median income.
- (6) Provided, that \$250,000 shall be for pre-construction costs, including planning and design, for the County-owned lots at the Fairways at Maui Lani.
- (7) Provided, that \$6,382,000 shall for the 100 percent affordable Kaiaulu O Kupuohi Apartments Project for land acquisition, planning and design, on-site improvements, new construction, and other related development costs to produce 88 rental units to be rented at or below 60 percent of the area median income and one unit for an on-site property manager."

SECTION 2. New material is underscored.

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

APPROVED AS TO FORM AND LEGALITY:



DAVID A. GALAZIN
Deputy Corporation Counsel