

AH Committee

From: Jeff Gilbreath <jeff@hawaiiancommunity.net>
Sent: Tuesday, November 30, 2021 10:57 AM
To: AH Committee; Linda Munsell
Subject: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI

Aloha Affordable Housing Committee and Deputy Director Munsell,

Mahalo for the opportunity to present to the County Council regarding recommended updates to the Maui sales price guidelines and the affordable housing fund.

I reviewed with our subject matter experts the Department's concerns about increased management costs of affordable rental projects serving below 50% area median income and wanted to follow up to provide more information.

As part of the development of the Maui County Comprehensive Affordable Housing, the HCA team conducted research on other high-cost housing communities.

Based on our research, there may be increased property management costs for affordable rental projects. These increased costs are associated with projects that serve a certain percentage of households under 30% area median income, in particular those with special needs and houseless individuals and families. Increased management costs were associated primarily with projects that are 100% for extremely low-income households below 30% area median income. These projects usually have a service provider as a key partner in the project to address these needs.

When projects include 10% of the units for extremely low-income households under 30% area median income, there was no increased management costs. Furthermore, in California, the median rent on a Low-Income Housing Tax Credit project is at 40% area median income to be competitive and there were no issues with management costs on these projects that we were able to determine.

Based on our analysis, ongoing subsidy for affordable rental projects is unnecessary and we stand by our recommendation of the County providing 0% interest, deferred payment loans for affordable rental projects as long as the units remain affordable. This will allow the projects to serve the real demand of households under 50% area median income as documented in the Hawaii Housing Planning Study. A small grant could be made available to projects to augment supportive services for households below 30% area median income, in particular for projects serving those with special needs.

I hope this information is helpful. Please reach out if you have any questions. Mahalo,

Jeff Gilbreath *he/him/his* ([*what's this?*](#))

Interim Executive Director
Hawaiian Community Assets
200 N. Vineyard Blvd. #B140
Honolulu, HI 96817
Direct: 808-587-7653
Main: 808-587-7886
Toll Free: 866-400-1116
TTY: 877-477-5990
Fax Direct: 808-628-6879
Web: www.hawaiiancommunity.net

 Please consider the environment before printing this email

The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential, proprietary and or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information by persons or entities other than the intended recipient is prohibited. If you received this email in error, please contact the sender and delete the material from all computers.

AH Committee

From: Linda Munsell <Linda.Munsell@co.maui.hi.us>
Sent: Tuesday, November 30, 2021 2:47 PM
To: jeff@hawaiiancommunity.net; AH Committee
Subject: Re: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI

Mahalo Mr. Gilbreath for your research, and mahalo to the Committee for the opportunity to provide comment on the action items proposed in the Maui County Comprehensive Housing Plan.

To clarify, the department was not raising a concern about increased management costs to a project as a result of the proposed changes in the AMI distribution requirements. Our discussions with numerous rental property managers surrounded their concern about the project's ability to pay their regular monthly bills on the reduced rental income. If we require developers to increase the number of very-low and extremely-low AMI families in a project, they will take in less rent revenue. The bills won't change (except possibly as noted by Mr. Gilbreath below), but the income does go down. When a project seeks funding, whether it is from the County or the state or other sources, they need to show the ability to pay their bills for the entire term of the compliance period, 30 or 60 years into the future.

The department supports the goal of having projects serve more of our lower AMI families, but we need to be certain that the financial resources being offered to the project to accomplish that goal is the kind of financial assistance that they actually need. Depending on what we ask of them, they may need ongoing rental subsidy to make the project proforma work, rather than additional construction financing as reflected in the plan. It is important that we know where the tipping point is, no matter whether we plan to make it a request, or make it a permanent change in our requirements.

So it is not a concern about increased cost that was expressed to us and that we shared at committee, it is a decrease in rental income.

I do want to say that we appreciate that we are looking beyond Hawaii for models - fresh ideas are always welcome, and these California projects do provide insight during our discussions. However, we also encourage the Committee to reach out to our local property managers/developers in Hawaii, and ask them about their financing structures for construction, and their proforma for the duration of the compliance period. I'm sure that every single one of them would be more than willing to share their experience and knowledge with us as it pertains to projects here locally, and they will likely be able to suggest additional strategies for accomplishing our shared goals. We suggest at a minimum, that the Committee reach out to the following developers and ask them to the table to vet the proposals before they are put on the floor:

EAH
Hale Mahaolu
Ikaika Ohana
Catholic Charities

Those of us who only do research may not understand the complexities and nuances associated with making these projects work. It looks very simple from the outside, but from my discussions with the developers, I am certain that it is not. I respectfully suggest that much better legislation would result if the right people were at the table early in the process. Any small delay in passage of proposed legislation would be far off-set by the community and administration support that could be garnered through such consultation.

Thank you again for the opportunity to provide comment and participate in the discussion.

Linda Munsell, Deputy Director
Department of Housing and Human Concerns County of Maui
2200 Main Street, Ste 546
Wailuku, HI 96793
808/270-7805
808/270-7165 fax
linda.munsell@co.maui.hi.us

>>> Jeff Gilbreath <jeff@hawaiiancommunity.net> 11/30/2021 10:56 AM

>>>

Aloha Affordable Housing Committee and Deputy Director Munsell,

Mahalo for the opportunity to present to the County Council regarding recommended updates to the Maui sales price guidelines and the affordable housing fund.

I reviewed with our subject matter experts the Department's concerns about increased management costs of affordable rental projects serving below 50% area median income and wanted to follow up to provide more information.

As part of the development of the Maui County Comprehensive Affordable Housing, the HCA team conducted research on other high-cost housing communities.

Based on our research, there may be increased property management costs for affordable rental projects. These increased costs are associated with projects that serve a certain percentage of households under 30% area median income, in particular those with special needs and houseless individuals and families. Increased management costs were associated primarily with projects that are 100% for extremely low-income households below 30% area median income. These projects usually have a service provider as a key partner in the project to address these needs.

When projects include 10% of the units for extremely low-income households under 30% area median income, there was no increased management costs. Furthermore, in California, the median rent on a Low-Income Housing Tax Credit project is at 40% area median income to be competitive and there were no issues with management costs on these projects that we were able to determine.

Based on our analysis, ongoing subsidy for affordable rental projects is unnecessary and we stand by our recommendation of the County providing 0% interest, deferred payment loans for affordable rental projects as long as the units remain affordable. This will allow the projects to serve the real demand of households under 50% area median income as documented in the Hawaii Housing Planning Study. A small grant could be made available to projects to augment supportive services for households below 30% area median income, in particular for projects serving those with special needs.

I hope this information is helpful. Please reach out if you have any questions. Mahalo,

Jeff Gilbreath he/him/his (what's
this?<<https://protect2.fireeye.com/v1/url?k=73130bfa-2c8832c8-73173efc-8697e44c76c2-63b1d2fff3a3e667&q=1&e=9cc2e46b-984c-44cb-aaea-a415dbef6fce&u=https%3A%2F%2Fwww.mypronouns.org%2Fwhat-and-why%3E>>)
Interim Executive Director
Hawaiian Community Assets

200 N. Vineyard Blvd. #B140

Honolulu, HI 96817

Direct: 808-587-7653

Main: 808-587-7886

Toll Free: 866-400-1116

TTY: 877-477-5990

Fax Direct: 808-628-6879

Web:

[https://protect2.fireeye.com/v1/url?k=a18716ae-fe1c2f9c-a18323a8-8697e44c76c2-5ea9d58ae415483e&q=1&e=9cc2e46b-984c-44cb-aaaa-](https://protect2.fireeye.com/v1/url?k=a18716ae-fe1c2f9c-a18323a8-8697e44c76c2-5ea9d58ae415483e&q=1&e=9cc2e46b-984c-44cb-aaaa-a415dbef6fce&u=http%3A%2F%2Fwww.hawaiiancommunity.net%2Fhttps://protect2.fireeye.com/v1/url?k=dec60906-815d3034-dec23c00-8697e44c76c2-c4dc401396592240&q=1&e=9cc2e46b-984c-44cb-aaaa-a415dbef6fce&u=http%3A%2F%2Fwww.hawaiiancommunity.net%2F)

[a415dbef6fce&u=http%3A%2F%2Fwww.hawaiiancommunity.net%2F<https://protect2.fireeye.com/v1/url?k=dec60906-815d3034-dec23c00-8697e44c76c2-c4dc401396592240&q=1&e=9cc2e46b-984c-44cb-aaaa-a415dbef6fce&u=http%3A%2F%2Fwww.hawaiiancommunity.net%2F>](https://protect2.fireeye.com/v1/url?k=dec60906-815d3034-dec23c00-8697e44c76c2-c4dc401396592240&q=1&e=9cc2e46b-984c-44cb-aaaa-a415dbef6fce&u=http%3A%2F%2Fwww.hawaiiancommunity.net%2F)

P Please consider the environment before printing this email

The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential, proprietary and or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information by persons or entities other than the intended recipient is prohibited. If you received this email in error, please contact the sender and delete the material from all computers.

AH Committee

From: Jeff Gilbreath <jeff@hawaiiancommunity.net>
Sent: Wednesday, December 1, 2021 5:11 AM
To: AH Committee; Linda Munsell
Subject: RE: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI
Attachments: Maui Affordable Rentals 4s 106 units.xlsx

Aloha Linda and AH Committee,

Attached is the pro forma for a 106 unit rental housing development with 50% of the units at 50% AMI and 20% at 30% AMI. We used this pro forma to calculate the subsidy the county would need to provide to make the project work at these rent levels. We used hard development costs of more than \$500,000 per unit, free land, either from developer contributions or county owned. The rental income for the development is sufficient to both cover operating expenses and some debt service and yield an annual cash flow that starts at \$100,000 per year and increases from there.

I would note the HCA team that did work on the plan are community development practitioners, including builders who have done work in Maui and Hawaii more generally. Our team members has developed more than 1500 units of rental housing and RCAC alone has additional experience to add to that real world experience. We provided this pro forma to DHHC during the development of the plan. We welcome feedback from DHHC, EAH and others

Our calculations are based on eliminating all hard debt on the units below 50% AMI. At 50% AMI the rent is roughly \$15,000 per 2 bedroom unit. At 30% AMI the rental income is \$6-8,000. If you deduct \$2,000 for utilities, the rent is still nearly sufficient to cover operating costs, on the 30% units and more than sufficient to cover these costs on the 50% units. We don't specify the number of units/percentage of units that should be at 30% AMI, but our assumption in the attached pro forma is that 20% of units will be at that rental rate.

Developers may have higher costs and we suggest a process of negotiation to determine the actual capital subsidy needed to achieve this level of affordability. We do not recommend that the county just accept a developer's budget. They need to get comfortable with all aspects of their pro forma, capital and operating costs.

I hope this is helpful to continue the conversation.

Jeff

-----Original Message-----

From: Linda Munsell <Linda.Munsell@co.maui.hi.us>
Sent: Tuesday, November 30, 2021 2:47 PM
To: Jeff Gilbreath <jeff@hawaiiancommunity.net>; AH.Committee@mauicounty.us
Subject: Re: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI

Mahalo Mr. Gilbreath for your research, and mahalo to the Committee for the opportunity to provide comment on the action items proposed in the Maui County Comprehensive Housing Plan.

To clarify, the department was not raising a concern about increased management costs to a project as a result of the proposed changes in the AMI distribution requirements. Our discussions with numerous rental property managers surrounded their concern about the project's ability to pay their regular monthly bills on the reduced rental income. If we require developers to increase the number of very-low and extremely-low AMI families in a project, they will take in less rent revenue. The bills won't change (except possibly as noted by Mr. Gilbreath below), but the income does go

down. When a project seeks funding, whether it is from the County or the state or other sources, they need to show the ability to pay their bills for the entire term of the compliance period, 30 or 60 years into the future.

The department supports the goal of having projects serve more of our lower AMI families, but we need to be certain that the financial resources being offered to the project to accomplish that goal is the kind of financial assistance that they actually need. Depending on what we ask of them, they may need ongoing rental subsidy to make the project proforma work, rather than additional construction financing as reflected in the plan. It is important that we know where the tipping point is, no matter whether we plan to make it a request, or make it a permanent change in our requirements.

So it is not a concern about increased cost that was expressed to us and that we shared at committee, it is a decrease in rental income.

I do want to say that we appreciate that we are looking beyond Hawaii for models - fresh ideas are always welcome, and these California projects do provide insight during our discussions. However, we also encourage the Committee to reach out to our local property managers/developers in Hawaii, and ask them about their financing structures for construction, and their proforma for the duration of the compliance period. I'm sure that every single one of them would be more than willing to share their experience and knowledge with us as it pertains to projects here locally, and they will likely be able to suggest additional strategies for accomplishing our shared goals. We suggest at a minimum, that the Committee reach out to the following developers and ask them to the table to vet the proposals before they are put on the floor:

EAH
Hale Mahaolu
Ikaika Ohana
Catholic Charities

Those of us who only do research may not understand the complexities and nuances associated with making these projects work. It looks very simple from the outside, but from my discussions with the developers, I am certain that it is not. I respectfully suggest that much better legislation would result if the right people were at the table early in the process. Any small delay in passage of proposed legislation would be far off-set by the community and administration support that could be garnered through such consultation.

Thank you again for the opportunity to provide comment and participate in the discussion.

Linda Munsell, Deputy Director
Department of Housing and Human Concerns County of Maui
2200 Main Street, Ste 546
Wailuku, HI 96793
808/270-7805
808/270-7165 fax
linda.munsell@co.maui.hi.us

>>> Jeff Gilbreath <jeff@hawaiiancommunity.net> 11/30/2021 10:56 AM

>>>

Aloha Affordable Housing Committee and Deputy Director Munsell,

Mahalo for the opportunity to present to the County Council regarding recommended updates to the Maui sales price guidelines and the affordable housing fund.

I reviewed with our subject matter experts the Department's concerns about increased management costs of affordable rental projects serving below 50% area median income and wanted to follow up to provide more information.

As part of the development of the Maui County Comprehensive Affordable Housing, the HCA team conducted research on other high-cost housing communities.

Based on our research, there may be increased property management costs for affordable rental projects. These increased costs are associated with projects that serve a certain percentage of households under 30% area median income, in particular those with special needs and houseless individuals and families. Increased management costs were associated primarily with projects that are 100% for extremely low-income households below 30% area median income. These projects usually have a service provider as a key partner in the project to address these needs.

When projects include 10% of the units for extremely low-income households under 30% area median income, there was no increased management costs. Furthermore, in California, the median rent on a Low-Income Housing Tax Credit project is at 40% area median income to be competitive and there were no issues with management costs on these projects that we were able to determine.

Based on our analysis, ongoing subsidy for affordable rental projects is unnecessary and we stand by our recommendation of the County providing 0% interest, deferred payment loans for affordable rental projects as long as the units remain affordable. This will allow the projects to serve the real demand of households under 50% area median income as documented in the Hawaii Housing Planning Study. A small grant could be made available to projects to augment supportive services for households below 30% area median income, in particular for projects serving those with special needs.

I hope this information is helpful. Please reach out if you have any questions. Mahalo,

Jeff Gilbreath he/him/his (what's

this?<[Interim Executive Director](https://nam10.safelinks.protection.outlook.com/?url=https%3A%2F%2Fprotect2.fireeye.com%2Fv1%2Furl%3Fk%3D73130bfa-2c8832c8-73173efc-8697e44c76c2-63b1d2ff3a3e667%26q%3D1%26e%3D9cc2e46b-984c-44cb-aaea-a415dbef6fce%26u%3Dhttps%253A%252F%252Fwww.mypronouns.org%252Fwhat-and-why&data=04%7C01%7Cjeff%40hawaiiancommunity.net%7C5bb280588b8f4809834408d9b49147b0%7C35c0491b0f514d9796ecf3a27f6929cd%7C0%7C0%7C637739358485917103%7CUnknown%7CTWFpbGZsb3d8eyJWlJoiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEkaWwiLCJXVCI6Mn0%3D%7C3000&sdata=xGx%2Fs%2BZmr5UfcY9UWKDBLAd6O04aqdiam45vbsZXclo%3D&reserved=0>)</p></div><div data-bbox=)

Hawaiian Community Assets

200 N. Vineyard Blvd. #B140

Honolulu, HI 96817

Direct: 808-587-7653

Main: 808-587-7886

Toll Free: 866-400-1116

TTY: 877-477-5990

Fax Direct: 808-628-6879

Web:

<https://nam10.safelinks.protection.outlook.com/?url=https%3A%2F%2Fprotect2.fireeye.com%2Fv1%2Furl%3Fk%3Da18716ae-fe1c2f9c-a18323a8-8697e44c76c2-5ea9d58ae415483e%26q%3D1%26e%3D9cc2e46b-984c-44cb-aaea-a415dbef6fce%26u%3Dhttp%253A%252F%252Fwww.hawaiiancommunity.net%252F&data=04%7C01%7Cjeff%40hawaiiancommunity.net%7C5bb280588b8f4809834408d9b49147b0%7C35c0491b0f514d9796ecf3a27f6929cd%7C0%7C0>

%7C637739358485917103%7CUnknown%7CTWFpbGZsb3d8eyJWljojMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=SBY29Wq6WjdA%2FjpCqQiFf9AUZc7GnB%2F6U5G4Mf5vpcw%3D&reserved=0<<https://nam10.safelinks.protection.outlook.com/?url=https%3A%2F%2Fprotect2.fireeye.com%2Fv1%2Furl%3Fk%3Ddec60906-815d3034-dec23c00-8697e44c76c2-c4dc401396592240%26q%3D1%26e%3D9cc2e46b-984c-44cb-aaea-a415dbef6fce%26u%3Dhttp%253A%252F%252Fwww.hawaiiancommunity.net%252F&data=04%7C01%7Cjeff%40hawaiiancommunity.net%7C5bb280588b8f4809834408d9b49147b0%7C35c0491b0f514d9796ecf3a27f6929cd%7C0%7C0%7C637739358485917103%7CUnknown%7CTWFpbGZsb3d8eyJWljojMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=MOjrc6shIfy3Lgt dgSWMgY0bWVbViS4CitNOo%2FoNE6o%3D&reserved=0>>

P Please consider the environment before printing this email

The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential, proprietary and or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information by persons or entities other than the intended recipient is prohibited. If you received this email in error, please contact the sender and delete the material from all computers.

DEVELOPMENT PROFORMA				Kahului	Maui	HI	01-Dec-21
kahului Landing		Units	106.00				
Developer:	RCAC			Square Footage			
Property Address:	84-117 Kaukamana Rd			Site		3 acres	
	Waiahe, HI			Units		97,900	
Census Tract:				Circulation		-	
APN #				Galley/Community Bldg		8,000	
County, State	Honolulu, HI					0	
				Total Building		105,900	
Unit Mix:	# of Units	Sq Ft/Unit	Total SF	Construction Costs			
Manager's Unit- 2 bd 60%	-	812	-	Unit Const. Cost/sq. ft.			
Studio	-	500	-			\$ 300.00	
1-bedroom	18	650	11,700				
2-bedroom	42	812	34,104				
3-bedroom	46	996	45,816				
4-bedroom	-	1,232	-				
Total Units	106		91,620				
Total Low Income units	98						
% of 0 Bedroom units	0%						
% of 1 Bedroom	18%						
% of 2 Bedroom	43%						
% of 3+ bedroom units	47%						
% of 4+ bedroom units	0%						
Units at % of AMI	# of Units	% of units					
30%	20	19%					
40%	0	0%					
50%	57	54%					
60%	21	20%					
80%	8	8%	rents set at 55%				
	106						
Are 40% of units at or below 60%	Yes						
The average unit % rent Rent is							
2020 HHDC Data							
4%	Units	TC/PU	CC/PU	SC/PU	PSF/unit		
Tower (24 story)	156	\$ 424,847	\$ 341,766	\$ 83,081	\$ 500		
Tower 22 Story	146	\$ 446,653	\$ 321,134	\$ 125,519	\$ 489		
Walk up	60	\$ 592,000	\$ 376,169	\$ 215,831	\$ 541		

Kahului Landing										1-Dec-21																									
UNIT MIX AND RENTAL INCOME																																			
GROSS Maximum		Rent Limit Published Date			5/1/2020		Maui		County				Honolulu		1 Bedroom		2 Bedroom		3 Bedroom																
Census Tract:										1-Dec-21																									
UNIT MIX AND RENTAL INCOME																																			
GROSS Maximum Rents		Rent Limit Published Date			5/1/2020		Maui, HI		County/State				Honolulu		1 Bedroom		2 Bedroom		3 Bedroom																
Income		Studio	1 BR	2 BR	3 BR									Heating/AC		0	0	0																	
30%		\$ -	\$ 576	\$ 692	\$ 799			MTSP Limits						Cooking		23	23	28																	
40%		\$ -	\$ -	\$ -	\$ -			Novoco						Other Electric		54	\$ 60	67																	
50%		\$ -	\$ 1,057	\$ 1,269	\$ 1,465									Water Heating Electric		25	\$ 51	76																	
60%		\$ -	\$ 1,153	\$ 1,384	\$ 1,599									Refrigerator Electric		21	21	21																	
80%		\$ -	\$ 1,538	\$ 1,846	\$ 2,132									Total		123	155	192																	
UA			\$ 123	\$ 155	\$ 192			UA 2020 Honolulu						Water		op	op	op																	
Low Home			\$ 961	\$ 1,153	\$ 1,332									Sewer		op	op	op																	
High Home			\$ 1,231	\$ 1,478	\$ 1,699									Trash		op	op	op																	
FMR/811			\$ 1,394	\$ 1,759	\$ 2,496																														
LIHTC Income Restriction										LIHTC Rent Restriction		NHTF Income Targeting		RA (program)		Allowable Gross Rent		Utility Allowance (2019)		Allowable Net Rent		Total Anticipated Revenue		Reduce Below Market		Planned Net Rents		Planned Revenue		Unit SF		Total SF			
Unit Type/Units																																			
1BDR																																			
Flat 4										30%		30%		30%		no		576		123.00		453.00		\$ 21,744		NO		453		21744		650		2,600	
Flat 10										50%		50%		NA		NO		1,057		123.00		934.00		\$ 112,080		NO		934		112080		650		6,500	
Flat 4										60%		60%		NA		NO		1,153		123.00		1,030.00		\$ 49,440		NO		1030		49440					
0.00										80%		80%		NA		NO		1,538		123.00		1,415.00		\$ -		NO		1415		0					
2BDR																																			
Flat 9										30%		30%		30%		no		692		155.00		537.00		\$ 57,996		NO		537		57996		850		7,650	
Flat 24										50%		50%		50%		NO		1,269		155.00		1,114.00		\$ 320,832		NO		1114		320832		850		20,400	
TH 5										60%		60%		NA		NO		1,384		155.00		1,229.00		\$ 73,740		NO		1229		73740		950		4,750	
TH 4										80%		60%		NA		NO		1,846		155.00		1,691.00		\$ 81,168		NO		1691		81168		950		3,800	
TH																																			
3BDR																																			
Flat 7										30%		30%		30%		no		799		192.00		607.00		\$ 50,988		NO		607		50988		1050		7,350	
THD 23										50%		50%		30%		NO		1,465		192.00		1,273.00		\$ 351,348		NO		1273		351348		1150		26,450	
THD 12										60%		60%		NA		NO		1,599		192.00		1,407.00		\$ 202,608		NO		1407		202608		1150		13,800	
THD 4										80%		60%		60%		NO		2,132		192.00		1,940.00		\$ 93,120		Yes		1940		93120		1150		4,600	
Average Perc										50.47%																									
Total Units										106																									
98.00										0.92																									
TOTAL										Monthly GR		3.7		0		9410 Yearly Rents		1,415,064.00		Total SF		\$ 13,630						# of units		Type		Bedrooms		SF	
										0.8		Total Units		1														8 Flat				1			
PLUS Other income (from applications, laundry, credit checks, etc.)										0.50%		X		Other Income		\$ 7,075.32												2 flats				2			
																												20 THD				2			
																												2 Flats				3			
																												21 THD				3			
LESS vacancy rate										5 %		X		Rents		71,106.97																			
LESS OPERATING EXPENSES																																			

[illegible]

SOURCES AND USES SUMMARY

[illegible][illegible]

	Source	Amount	Interest	Term (yrs)	Pmt	Status	Comments
	RD Perm Loan	\$ 8,261,000	5.00%	30	(\$532,162)		Construction
		\$ -	0%	55			2nd or 3rd note no payments due until end of 16th year
			0.00%	30			0 per unit
			0.00%	30			0 per unit
	RRLF	\$ 6,000,000	0.00%	45	Cash flow contingent		leaves a 400K balloon
							\$ -
	Sponsor Capital Contribution						
	Tax Credit Equity						
	State Tax Credit	\$ 9,115,715					
	Limited Partner	\$ 18,231,431					
	TOTAL SOURCES	\$ 41,608,146					
		USES SUMMARY	BASIS SUMMARY				
	Acquisition	\$ 12,000	\$ -				
	Construction	\$ 41,738,460	\$ -				
	Off-site Improvements	\$ -	\$ -				
	Soft Costs	\$ 12,519,442	\$ -				
	Reserves & Fees	\$ 4,359,185	\$ -				
	TOTAL USES	\$ 58,629,087	\$ -				
Surplus/(Gap)		\$ (17,020,940)					

Tax Credit Worksheet

[illegible]

[illegible]

					1-Dec-21
kahului Landing			Income Trend		2.00%
30 Year Proforma			Expense Trend		3.00%
Vacancy Rate			Vacancy Trend		7.00%
Inflators Income/Expense			AM Fee Increase		2.00%
Year	12	13	14	15	16
Rental Income	1,724,955	1,759,454	1,794,643	1,830,536	1,867,147
521 Rental Assistance	-	-	-	-	-
Other Sources	8,797	8,973	9,153	9,336	9,522
Gross Income	1,733,752	1,768,427	1,803,796	1,839,872	1,876,669
Less VACANCY	86,688	88,421	90,190	91,994	93,833
=EFFECTIVE GROSS INCOME (EGI)	1,647,065	1,680,006	1,713,606	1,747,878	1,782,836
Maintenance, Operations, Services	912,718	940,100	968,303	997,352	1,027,272
Reserves	37,100	37,100	37,100	37,100	37,100
Other Payments - monitoring fee	-	-	-	-	-
=NET OPERATING INCOME (NOI)	697,246	702,806	708,203	713,426	718,463
RD Payment	532,166	532,166	532,166	532,166	532,166
RHRLF @Cashflow Contingent Split	74,135	78,970	83,663	88,205	92,585
Net Cash Flow	90,945	91,670	92,374	93,056	93,713
Asset Management Fee	8,704	8,878	9,055	9,236	9,421
Net Cash after ROI	82,242	82,793	83,319	83,819	84,292
Deferred Developer fee	0	0	0	0	0
Debt Service Coverage Ratio	1.15	1.15	1.15	1.15	1.15

kahului Landing												
2%												
30 Year Proforma												
3%												
Vacancy Rate												
5%												
Inflators Income/Expense												
Year	17	18	19	20	21	22	23	24	25	26	27	28
Rental Income	1,904,490	1,942,580	1,981,431	2,021,060	2,061,481	2,102,711	2,144,765	2,187,660	2,231,413	2,276,042	2,321,562	2,367,994
521 Rental Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Other Sources	9,713	9,907	10,105	10,307	10,514	10,724	10,938	11,157	11,380	11,608	11,840	12,077
Gross Income	1,914,203	1,952,487	1,991,537	2,031,367	2,071,995	2,113,434	2,155,703	2,198,817	2,242,794	2,287,649	2,333,402	2,380,070
Less VACANCY	133,994	136,674	139,408	142,196	145,040	147,940	150,899	153,917	156,996	160,135	163,338	166,605
=EFFECTIVE GROSS INCOME (EGI)	1,780,209	1,815,813	1,852,129	1,889,172	1,926,955	1,965,494	2,004,804	2,044,900	2,085,798	2,127,514	2,170,064	2,213,466
Maintenance, Operations, Services	1,058,091	1,089,833	1,122,528	1,156,204	1,190,890	1,226,617	1,263,416	1,301,318	1,340,358	1,380,568	1,421,985	1,464,645
Reserves	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100
Other Payments - monitoring fee	-	-	-	-	-	-	-	-	-	-	-	-
=NET OPERATING INCOME (NOI)	685,018	688,879	692,501	695,867	698,965	701,777	704,288	706,482	708,340	709,846	710,979	711,721
RD Payment	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166
RHRLF @Cashflow Contingent Split	63,502	66,860	70,008	72,936	75,629	78,075	80,259	82,166	83,782	85,091	86,077	86,722
Net Cash Flow	89,350	89,854	90,326	90,765	91,169	91,536	91,864	92,150	92,392	92,589	92,736	92,833
Asset Management Fee	9,609	9,802	9,998	10,198	10,402	10,610	10,822	11,038	11,259	11,484	11,714	11,948
Net Cash after ROI	79,741	80,052	80,328	80,568	80,768	80,926	81,042	81,112	81,133	81,104	81,022	80,885
Deferred Developer fee	1	2	3	4	5	6	7	8	9	10	11	12
Debt Service Coverage Ratio	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

kahului Landing													
30 Year Proforma													
Vacancy Rate													
Inflators Income/Expense													
Year	29	30	31	32	33	34	35	36	37	38	39	40	41
Rental Income	2,415,354	2,463,661	2,512,934	2,563,193	2,614,456	2,666,746	2,720,080	2,774,482	2,829,972	2,886,571	2,944,303	3,003,189	3,063,252
521 Rental Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Sources	12,318	12,565	12,816	13,072	13,334	13,600	13,872	14,150	14,433	14,722	15,016	15,316	15,623
Gross Income	2,427,672	2,476,225	2,525,750	2,576,265	2,627,790	2,680,346	2,733,953	2,788,632	2,844,405	2,901,293	2,959,319	3,018,505	3,078,875
Less VACANCY	169,937	173,336	176,802	180,339	183,945	187,624	191,377	195,204	199,108	203,090	207,152	211,295	215,521
=EFFECTIVE GROSS INCOME (EGI)	2,257,735	2,302,890	2,348,947	2,395,926	2,443,845	2,492,722	2,542,576	2,593,428	2,645,296	2,698,202	2,752,166	2,807,210	2,863,354
Maintenance, Operations, Services	1,508,584	1,553,842	1,600,457	1,648,471	1,697,925	1,748,863	1,801,328	1,855,368	1,911,029	1,968,360	2,027,411	2,088,233	2,150,880
Reserves	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100	37,100
Other Payments - monitoring fee	-	-	-	-	-	-	-	-	-	-	-	-	-
=NET OPERATING INCOME (NOI)	712,051	711,948	711,390	710,356	708,820	706,759	704,148	700,959	697,167	692,742	687,655	681,876	675,373
RD Payment	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166	532,166
RHRLF @Cashflow Contingent Split	87,008	86,919	86,434	85,535	84,199	82,407	80,136	77,364	74,066	70,218	65,795	60,770	55,115
Net Cash Flow	92,876	92,863	92,790	92,655	92,455	92,186	91,845	91,429	90,935	90,358	89,694	88,940	88,092
Asset Management Fee	12,187	12,431	12,680	12,933	13,192	13,456	13,725	13,999	14,279	14,565	14,856	15,153	15,456
Net Cash after ROI	80,689	80,432	80,111	79,722	79,263	78,730	78,121	77,430	76,656	75,793	74,838	73,787	72,636
Deferred Developer fee	13	14	15	16	17	18	19	20	21	22	23	24	25
Debt Service Coverage Ratio	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

kahului Landing					
30 Year Proforma					
Vacancy Rate					
Inflators Income/Expense					
	Year	42	43	44	45
Rental Income		3,124,517	3,187,008	3,250,748	3,315,763
521 Rental Assistance		-	-	-	-
Other Sources		15,935	16,254	16,579	16,910
Gross Income		3,140,452	3,203,262	3,267,327	3,332,673
Less VACANCY		219,832	224,228	228,713	233,287
=EFFECTIVE GROSS INCOME (EGI)		2,920,621	2,979,033	3,038,614	3,099,386
Maintenance, Operations, Services		2,215,407	2,281,869	2,350,325	2,420,835
Reserves		37,100	37,100	37,100	37,100
Other Payments - monitoring fee		-	-	-	-
=NET OPERATING INCOME (NOI)		668,114	660,064	651,189	641,451
RD Payment		532,166	532,166	532,166	532,166
RHRLF @Cashflow Contingent Split		48,803	41,803	34,085	25,618
Net Cash Flow		87,145	86,095	84,938	83,668
Asset Management Fee		15,765	16,081	16,402	16,730
Net Cash after ROI		71,380	70,015	68,535	66,937
Deferred Developer fee		26	27	28	29
Debt Service Coverage Ratio		1.15	1.15	1.15	1.15

AMOUNT OF PRIVATE CONSTRUCTION LOAN			\$45,786,868		\$39,082,856	Hand Enter D1 in F1						
x	AVERAGE BALANCE %	x	60%		60%							
=	AVERAGE AMOUNT BORROWED	=	\$27,472,121		\$ 23,449,714							
x	ANNUAL INTEREST RATE	x	5.0000%		5.00%							
=	INTEREST OWED IF LOAN WERE FOR ONE YEAR	=	\$1,373,606		\$ 1,172,486							
x	ACTUAL TERM (Period borrowed) IN YEARS	x	1.75		21	Construction Period in months						
	(Construction Period 15				\$ 2,051,849.94	Construction Period Interest						
	+ Rentup Period 6				0	Lease up Period in Months						
	(= 21 Months = 1.75 Years)	21				Lease up Period interest assumes full amount outstanding						
=	PRIVATE CONSTRUCTION INTEREST (estimated)	=	2,403,811		2,051,849.94							
=	PRIVATE CONSTRUCTION INTEREST (Rounded UP)	=	2,410,000		2,060,000							
	Total Anticipated Construction Loan		48,200,000		\$ 41,150,000	use this number for construction loan						

Total Project Costs	\$ 58,629,087	
Minus costs incurred after const		Notes
Developer Fee non deferred	\$ 3,181,194	
Furnishings	\$ 150,000	
Cost Cert/Audit	\$ 20,000	
Title and Recording Permanent	\$ 30,000	
4% Bond issuer fee and monitoring X	\$ 126,875	
Sponsor Legal Perm	\$ 60,000	
Reserves	\$ 1,013,149	
Less financing avail during const		
Construction Period Costs	\$ 54,047,868	
RD Perm Loan	\$ 8,261,000	
0	\$ -	
0	\$ -	
0	\$ -	
RRLF	\$ 6,000,000	
0	\$ -	
Net Construction Loan	\$ 45,786,868	
Interest (Total Const + lease up)	\$ 2,060,000	
Assumed construction loan	\$ 41,150,000	
BOND or Loan	Loan	
basis plus land		

Data Validation		
NO	4% Bond	
YES	9/4% Rehab	
	9% New	
Bond		
Loan		

AH Committee

From: Linda Munsell <Linda.Munsell@co.maui.hi.us>
Sent: Wednesday, December 1, 2021 7:50 AM
To: jeff@hawaiiancommunity.net; AH Committee
Subject: RE: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI

Thanks Jeff, that is helpful. DHHC will continue our consultation. We appreciate your assistance.

>>> Jeff Gilbreath <jeff@hawaiiancommunity.net> 12/1/2021 5:11 AM >>>
Aloha Linda and AH Committee,

Attached is the pro forma for a 106 unit rental housing development with 50% of the units at 50% AMI and 20% at 30% AMI. We used this pro forma to calculate the subsidy the county would need to provide to make the project work at these rent levels. We used hard development costs of more than \$500,000 per unit, free land, either from developer contributions or county owned. The rental income for the development is sufficient to both cover operating expenses and some debt service and yield an annual cash flow that starts at \$100,000 per year and increases from there.

I would note the HCA team that did work on the plan are community development practitioners, including builders who have done work in Maui and Hawaii more generally. Our team members has developed more than 1500 units of rental housing and RCAC alone has additional experience to add to that real world experience. We provided this pro forma to DHHC during the development of the plan. We welcome feedback from DHHC, EAH and others

Our calculations are based on eliminating all hard debt on the units below 50% AMI. At 50% AMI the rent is roughly \$15,000 per 2 bedroom unit. At 30% AMI the rental income is \$6-8,000. If you deduct \$2,000 for utilities, the rent is still nearly sufficient to cover operating costs, on the 30% units and more than sufficient to cover these costs on the 50% units. We don't specify the number of units/percentage of units that should be at 30% AMI, but our assumption in the attached pro forma is that 20% of units will be at that rental rate.

Developers may have higher costs and we suggest a process of negotiation to determine the actual capital subsidy needed to achieve this level of affordability. We do not recommend that the county just accept a developer's budget. They need to get comfortable with all aspects of their pro forma, capital and operating costs.

I hope this is helpful to continue the conversation.

Jeff

-----Original Message-----

From: Linda Munsell <Linda.Munsell@co.maui.hi.us>
Sent: Tuesday, November 30, 2021 2:47 PM
To: Jeff Gilbreath <jeff@hawaiiancommunity.net>; AH.Committee@mauicounty.us
Subject: Re: Follow Up: Increased Management Costs of Affordable Rentals Serving Below 30% AMI

Mahalo Mr. Gilbreath for your research, and mahalo to the Committee for the opportunity to provide comment on the action items proposed in the Maui County Comprehensive Housing Plan.

To clarify, the department was not raising a concern about increased management costs to a project as a result of the proposed changes in the AMI distribution requirements. Our discussions with numerous rental property managers

surrounded their concern about the project's ability to pay their regular monthly bills on the reduced rental income. If we require developers to increase the number of very-low and extremely-low AMI families in a project, they will take in less rent revenue. The bills won't change (except possibly as noted by Mr. Gilbreath below), but the income does go down. When a project seeks funding, whether it is from the County or the state or other sources, they need to show the ability to pay their bills for the entire term of the compliance period, 30 or 60 years into the future.

The department supports the goal of having projects serve more of our lower AMI families, but we need to be certain that the financial resources being offered to the project to accomplish that goal is the kind of financial assistance that they actually need. Depending on what we ask of them, they may need ongoing rental subsidy to make the project proforma work, rather than additional construction financing as reflected in the plan. It is important that we know where the tipping point is, no matter whether we plan to make it a request, or make it a permanent change in our requirements.

So it is not a concern about increased cost that was expressed to us and that we shared at committee, it is a decrease in rental income.

I do want to say that we appreciate that we are looking beyond Hawaii for models - fresh ideas are always welcome, and these California projects do provide insight during our discussions. However, we also encourage the Committee to reach out to our local property managers/developers in Hawaii, and ask them about their financing structures for construction, and their proforma for the duration of the compliance period. I'm sure that every single one of them would be more than willing to share their experience and knowledge with us as it pertains to projects here locally, and they will likely be able to suggest additional strategies for accomplishing our shared goals. We suggest at a minimum, that the Committee reach out to the following developers and ask them to the table to vet the proposals before they are put on the floor:

EAH
Hale Mahaolu
Ikaika Ohana
Catholic Charities

Those of us who only do research may not understand the complexities and nuances associated with making these projects work. It looks very simple from the outside, but from my discussions with the developers, I am certain that it is not. I respectfully suggest that much better legislation would result if the right people were at the table early in the process. Any small delay in passage of proposed legislation would be far off-set by the community and administration support that could be garnered through such consultation.

Thank you again for the opportunity to provide comment and participate in the discussion.

Linda Munsell, Deputy Director
Department of Housing and Human Concerns County of Maui
2200 Main Street, Ste 546
Wailuku, HI 96793
808/270-7805
808/270-7165 fax
linda.munsell@co.maui.hi.us

>>> Jeff Gilbreath <jeff@hawaiiancommunity.net> 11/30/2021 10:56 AM
>>>

Aloha Affordable Housing Committee and Deputy Director Munsell,

Mahalo for the opportunity to present to the County Council regarding recommended updates to the Maui sales price guidelines and the affordable housing fund.

I reviewed with our subject matter experts the Department's concerns about increased management costs of affordable rental projects serving below 50% area median income and wanted to follow up to provide more information.

As part of the development of the Maui County Comprehensive Affordable Housing, the HCA team conducted research on other high-cost housing communities.

Based on our research, there may be increased property management costs for affordable rental projects. These increased costs are associated with projects that serve a certain percentage of households under 30% area median income, in particular those with special needs and houseless individuals and families. Increased management costs were associated primarily with projects that are 100% for extremely low-income households below 30% area median income. These projects usually have a service provider as a key partner in the project to address these needs.

When projects include 10% of the units for extremely low-income households under 30% area median income, there was no increased management costs. Furthermore, in California, the median rent on a Low-Income Housing Tax Credit project is at 40% area median income to be competitive and there were no issues with management costs on these projects that we were able to determine.

Based on our analysis, ongoing subsidy for affordable rental projects is unnecessary and we stand by our recommendation of the County providing 0% interest, deferred payment loans for affordable rental projects as long as the units remain affordable. This will allow the projects to serve the real demand of households under 50% area median income as documented in the Hawaii Housing Planning Study. A small grant could be made available to projects to augment supportive services for households below 30% area median income, in particular for projects serving those with special needs.

I hope this information is helpful. Please reach out if you have any questions. Mahalo,

Jeff Gilbreath he/him/his (what's

this?<[Interim Executive Director](https://protect2.fireeye.com/v1/url?k=09058eef-569eb7d8-0901bbe9-86ab8bdaf1e2-212a58cf9722dda1&q=1&e=49fd3b76-fa78-4497-9dae-dfcf4fa4a05e&u=https%3A%2F%2Fnam10.safelinks.protection.outlook.com%2F%3Furl%3Dhttps%253A%252F%252Fprotect2.fireeye.com%252Fv1%252Furl%253Fk%253D73130bfa-2c8832c8-73173efc-8697e44c76c2-63b1d2fff3a3e667%2526q%253D1%2526e%253D9cc2e46b-984c-44cb-aaea-a415dbef6fce%2526u%253Dhttps%25253A%25252F%25252Fwww.mypronouns.org%25252Fwhat-and-why%26amp%3Bdata%3D04%257C01%257Cjeff%2540hawaiiancommunity.net%257C5bb280588b8f4809834408d9b49147b0%257C35c0491b0f514d9796ecf3a27f6929cd%257C0%257C0%257C637739358485917103%257CUnknown%257CTWFpbGZsb3d8eyJWljoIMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6Ikl1haWwiLCJXVCi6Mn0%253D%257C3000%26amp%3Bdata%3DxGx%252Fs%252BZmr5UfcY9UWKDBLAd6O04aqdiam45vbsZXclo%253D%26amp%3Breserved%3D0>)</p></div><div data-bbox=)

Hawaiian Community Assets

200 N. Vineyard Blvd. #B140

Honolulu, HI 96817

Direct: 808-587-7653

Main: 808-587-7886

Toll Free: 866-400-1116

TTY: 877-477-5990

Fax Direct: 808-628-6879

Web:

<https://protect2.fireeye.com/v1/url?k=8a5c9aeb-d5c7a3dc-8a58afed-86ab8bdaf1e2-345dff9344463cf9&q=1&e=49fd3b76-fa78-4497-9dae-dfcf4fa4a05e&u=https%3A%2F%2Fnam10.safelinks.protection.outlook.com%2F%3Furl%3Dhttps%253A%252F%252Fprotect2.fireeye.com%252Fv1%252Furl%253Fk%253Da18716ae-fe1c2f9c-a18323a8-8697e44c76c2-5ea9d58ae415483e%2526q%253D1%2526e%253D9cc2e46b-984c-44cb-aaea-a415dbef6fce%2526u%253Dhttp%25253A%25252F%25252Fwww.hawaiiancommunity.net%25252F%26amp%3Bdata%3D04%257C01%257Cjeff%2540hawaiiancommunity.net%257C5bb280588b8f4809834408d9b49147b0%257C35c0491b0f514d9796ecf3a27f6929cd%257C0%257C0%257C637739358485917103%257CUnknown%257CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%253D%257C3000%26amp%3Bdata%3DSBY29Wq6WjdA%252FjpCqQiFf9AUZc7GnB%252F6U5G4Mf5vpcw%253D%26amp%3Breserved%3D0<https://protect2.fireeye.com/v1/url?k=aafe3385-f5650ab2-aafa0683-86ab8bdaf1e2-c6314ab1c029f552&q=1&e=49fd3b76-fa78-4497-9dae-dfcf4fa4a05e&u=https%3A%2F%2Fnam10.safelinks.protection.outlook.com%2F%3Furl%3Dhttps%253A%252F%252Fprotect2.fireeye.com%252Fv1%252Furl%253Fk%253Ddec60906-815d3034-dec23c00-8697e44c76c2-c4dc401396592240%2526q%253D1%2526e%253D9cc2e46b-984c-44cb-aaea-a415dbef6fce%2526u%253Dhttp%25253A%25252F%25252Fwww.hawaiiancommunity.net%25252F%26amp%3Bdata%3D04%257C01%257Cjeff%2540hawaiiancommunity.net%257C5bb280588b8f4809834408d9b49147b0%257C35c0491b0f514d9796ecf3a27f6929cd%257C0%257C0%257C637739358485917103%257CUnknown%257CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%253D%257C3000%26amp%3Bdata%3DMOjrc6shlfy3LgtdgSWMgY0bWVbViS4CitNOo%252FoNE6o%253D%26amp%3Breserved%3D0>>

P Please consider the environment before printing this email

The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential, proprietary and or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information by persons or entities other than the intended recipient is prohibited.

If you received this email in error, please contact the sender and delete the material from all computers.