

WEST MAUI LAND COMPANY, INC.

LAUNIUPOKO — OLOWALU — KAUAULA — KAHOMA — MAKILA

305 E. Wakea Ave., Suite 100
Kahului, HI 96732

Phone: (808) 877-4202
Fax: (808) 877-9409

September 12, 2016

Mr. Riki Hokama, Chair
Budget & Finance Committee
220 South High St.
Wailuku, HI 96793

RE: (BF-13(2)) 2016 West Maui Affordable Housing Fund Annual Plan
Kahoma Residential Project: Status Report

Dear Mr. Hokama and Members:

I understand that you are considering amending the FY 2017 Budget to add a \$660,000 proviso to the Affordable Housing Fund for Na Hale O Maui to construct 12 homes to be sold to families earning between 80% and 120% of median income and a \$1,500,000 proviso for Habitat for Humanity Maui, Inc. to acquire 10 lots and build 10 single family homes to be sold to families earning less than 80% of median income, also in the Kahoma Residential Subdivision.

In support of the budget amendment, I would like to provide an update on the project status and provide some background information:

INFRASTRUCTURE: On and offsite improvements are 95% complete. Underground utilities, roads, sidewalks, curbs and gutters are in place. Landscaping and driveway aprons will be completed concurrently with home construction.



Aug. 9, 2016

RECEIVED AT BF MEETING ON SEP 13 2016

SUBDIVISION APPROVAL: Final Subdivision Plat, Subdivision Agreement and Bond were submitted in February and are approved as to form. Remaining open item is approval by Dept. of Water Supply (DWS). DWS will sign-off on bonded final once waterline easements are finalized. We received our third round of comments from DWS on the easements today, and will address comments as quickly as possible, and anticipate bonded final subdivision within two weeks of DWS approval.



Aug. 9, 2016

COSTS: The intent of the developer was to sell lots to Habitat and Na Hale at cost or near cost, but project costs are higher than anticipated. Habitat is purchasing ten 'turn-key' lots that include water meters and DOE fees for \$960,000 or an average of \$96,000/lot. Na Hale O Maui is purchasing 12 lots for \$1,560,000 or \$130,000/lot. At those prices, Habitat and Na Hale O Maui are purchasing their lots at **\$760,000 below cost** of entitlements, land, legal, engineering/ design, permitting, MECO fees and infrastructure improvements.

The cost per lot for Kahoma Residential is anticipated to be just over \$140,000 for entitlements, land, legal, engineering/ design, MECO fees and infrastructure. With current water meter and DOE fees of \$12,000 and \$5,800 respectively per lot, the base cost grows to nearly \$158,000/lot. This base cost does not include carrying cost, sales and marketing, closing costs, and overhead/mark-up. For example, as of Aug. 31, 2016 West Maui Land Company, Inc. (WML) has invested over \$9,000,000 into this project for entitlements, legal costs, engineering and construction. Using 5%, interest on the \$9,000,000 spent to date is \$37,500/month or \$450,000 per year. Remaining 'hard' costs are approximately \$1,000,000 for water meters and Dept. of Education fees, plus \$500,000 for remaining construction, landscaping, and driveway aprons.



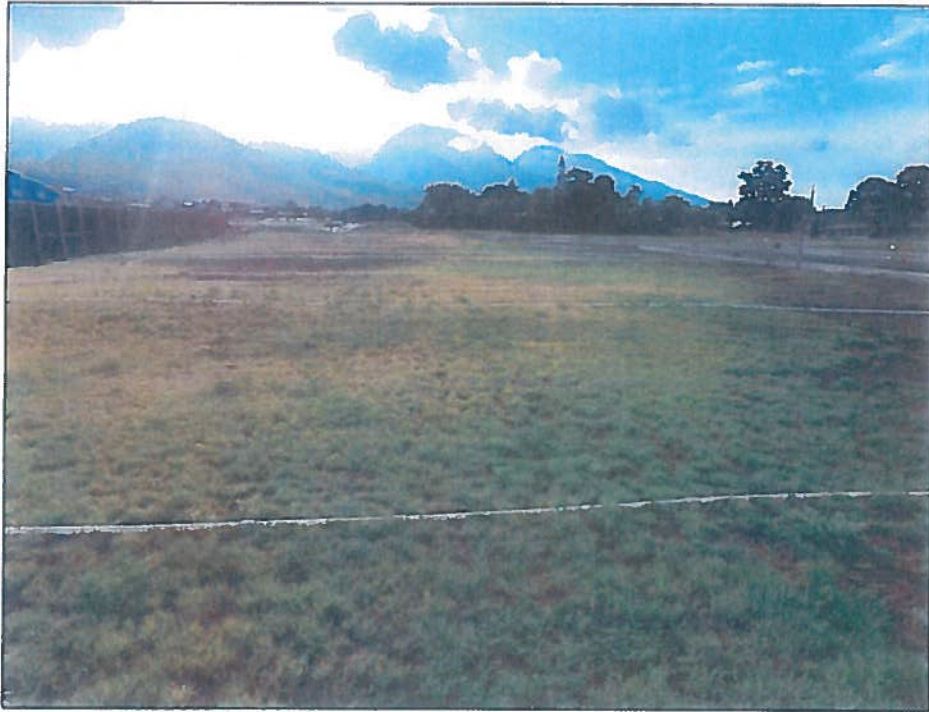
Aug. 9, 2016



Aug. 24, 2016

CREDITS: Kahoma Residential is a 100% workforce housing project. As part of the 201-H approval process, Kahoma Residential's developer, West Maui Land Company, Inc. will receive 10 credits which can be used only in west Maui and on projects developed by WML or affiliated company. This is far more restrictive than the current workforce housing

ordinance which allows 100% workforce housing projects processed pursuant to section 201-H-38 one credit for every unit over fifty percent of the total number of units sold at affordable rates. Credits issued under revised section 2.96.050 may be used in any community plan area and for any income group.



Aug. 24, 2016

As our partners in the project, Habitat and Na Hale O Maui have tools and different models that broaden the opportunities for first time buyers. Habitat is able to reach those making under 80% of median income, and with sweat equity and zero percent financing, provide them the opportunity to own a home. Na Hale offers the next income tier homes on leasehold land which will remain affordable in perpetuity, giving families in the 100% to 120% income a rare opportunity to own a new home in west Maui.

I would like to thank this committee and Council as a whole for its support of workforce housing, and Na Hale O Maui and Habitat for Humanity. Please contact me via email at heidi@westmauland.com or at (808) 877-4202 if you have any questions.

Sincerely,
WEST MAUI LAND COMPANY, INC.

A handwritten signature in blue ink, appearing to be 'Heidi Bigelow'.

Heidi Bigelow
Project Manager