

## AH Committee

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**From:** Autumn Ness <autumnraeness@gmail.com>  
**Sent:** Wednesday, December 04, 2019 2:54 PM  
**To:** AH Committee; Kelly King; Keani N. Rawlins; Tasha A. Kama; Alice L. Lee; Mike J. Molina; Tamara A. Paltin; Shane M. Sinenci; Yukilei Sugimura  
**Subject:** Testimony on AH-23, affordable housing fund to be used on units in perpetuity  
**Attachments:** Affordability in perpetuity.pdf

Please find my comments on AH-23, as requested by Council Member Molina.

Mahalo nui,  
Autumn Ness

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*Imagine what's possible...*

Mahalo for the opportunity to submit comments on AH-23.

Please make a move to align 2.96/2.97 language with Affordable Housing fund language, protecting the intent to make sure all county affordable housing funds granted to projects from now on go to projects that will be affordable in perpetuity.

The disagreement of these 2 sections of the code is a long standing problem, and I would argue that every time this body gives funds to a project that is not affordable in perpetuity, it's misappropriating funds. That line was specifically inserted into the affordable housing fund section of the code, because that was the intent of the fund.

When I worked on this issue for Council Member Cochran, we heard for years comments about why affordability in perpetuity is not possible:

Comments like:

"It encourages blight."

"Lenders won't give mortgages on properties with long term deed restrictions"

Neither of these comments are true.

Communities around the US have been building inventories of affordable housing units for years, because they recognize in some volatile markets similar to maui, you need 2 pools of housing:

1. Investment housing, subject to the volatile ups and downs of market forces, for investors/homeowners who view those properties as investments
2. Workforce/affordable housing, insulated from those market forces, that provide stable, affordable homes for residents who are not investors

These 2 types of properties play by different rules.

For those who say that lenders won't lend on these properties, that's false. SOME lenders won't lend on long term deed restricted properties, but others will. Na Hale O Maui's units get mortgages, and their long term deed restrictions are pretty complicated. Home Street Bank is well known for working well with Na Hale O Maui to lend on their units. Fannie Mae and Freddie Mac actually have language written into their national loan selling guide that specifically allow for the purchase of loans made on various types of deed restricted affordable properties, and specify that there is no maximum period of deed restriction. In other words, they accept loans made on properties that are deed restricted in perpetuity.

There are many ways to define how a property may appreciate to maintain its affordability, but for the purpose of this fund, and in the interest of keeping the model simple to allow for its

insertion into the county code, I propose the following formula, which is actually the first section of the Na Hale O Maui formula:

The following shall apply:

- The unit must be owner-occupied.
- The owner must offer to sell the unit to an income qualified buyer at 80%? 100% ? AMI, or below as defined by HUD.
- Buyer's income qualifications shall be determined during the mortgage qualification process.
- The maximum resale price shall be established using the following guidelines:

An appraisal of the property shall be required before initial occupancy to determine the ratio of the price paid by the qualified buyer and fair market value of the property ("Managed Appreciation Ration" or "MAR").

Upon a decision to sell the property, an appraisal of the property shall be required to determine the then-fair market value of the property.

The MAR on re-sale shall be the ratio of actual price to market price at the initial purchase.

The fair market value at time of re-sale, multiplied by the MAR, shall be the maximum resale price.

Upon the re-sale of the unit, the deed restrictions of this section shall remain in full force and effect.

Because this formula could be included in the code and is REQUIRED to be on the deed which runs with the land, it requires zero management on the part of the Department of Housing.

The community needs an increasing inventory of affordable units. Please DON'T fall into the "we can't make properties affordable in perpetuity because...." trap and just make it happen. Our residents need a growing inventory of affordable units, and they deserve to know that their tax dollars are not being squandered through affordable housing fund grants that subsidize units that are only affordable for one owner.

Mahalo nui for your swift attention to this matter.

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