A BILL FOR AN ORDINANCE AMENDING CHAPTERS 2.96 AND 3.35, MAUI COUNTY CODE, RELATING TO THE RESIDENTIAL WORKFORCE HOUSING POLICY AND AFFORDABLE HOUSING FUND

A&B PROPERTIES

ALEXANDER & BALDWIN, INC.

DECEMBER 14, 2017

Chair Crivello and Members of the Maui County Council Housing, Human Services & Transportation Committee;

I am Grant Chun, testifying on behalf of A&B Properties (A&B) on "A BILL FOR AN ORDINANCE AMENDING CHAPTERS 2.96 AND 3.35, MAUI COUNTY CODE, RELATING TO THE RESIDENTIAL WORKFORCE HOUSING POLICY AND AFFORDABLE HOUSING FUND." We respectfully oppose this bill.

The stated purpose of the bill is to require that housing provided pursuant to the Workforce Housing Policy or with Affordable Housing Fund money is kept affordable in perpetuity through deed restrictions. While we appreciate the intent of the bill, and support the development of residential workforce housing (RHW) units for Maui residents, we believe that the proposed revisions will have unintended negative effects upon purchasers of such units, and ultimately, the supply of affordable homes in the marketplace.

The bill proposes the imposition of restrictions in perpetuity rather than for periods of ten, eight, or five years, as currently required by Chapter 2.96. The proposed revisions further include a cap on the equity an owner of such a unit will be able to retain upon sale of the property. In Hawaii, the ability of homeowners to fully utilize equity built through the initial down payment, monthly payments, and appreciation over time to move up the "housing ladder" is a cornerstone of financial stability and security. Generally, when a homeowner is able to move to a home that better suits his or her needs, their existing home becomes available for purchase. However, an owner of a home subject to the proposed revisions would be limited to a maximum of 50% of the equity that he or she would realize from the sale of a unit that is not subject to such provisions. This would put the owner at a severe disadvantage with respect to moving up the housing ladder, ultimately limiting the availability of housing in the marketplace. Additionally, the proposed restriction would severely impact the owner's ability to utilize the home for security in obtaining a home equity loan, a significant benefit of homeownership.

Such disadvantages will certainly make such units less desirable in the marketplace and therefore less likely to be built. The Council may recall that a similar restriction was in place prior to 2014. At that time, the then housing policy included a 25-year shared appreciation term, along with other stringent requirements. This policy severely impacted the number of RWH units produced in the county, with less than ten units being produced over several years. The market simply did not accept the restrictions. The 2014 revisions to the housing policy accounted for this and moderated the restrictions substantially, making them more acceptable to the market place . This was demonstrated at Kamalani, our project in North Kihei, where the 170-unit first increment is subject to Ch. 2.96. Kamalani is the first major residential workforce housing project to come to fruition under the current housing rules. In October of this year, we welcomed our first owners of RWH units and continue to deliver homes in the targeted income categories. Future increments include single family, market priced homes that will provide opportunities for these homeowners to move up the housing ladder within their community.

The revisions to Ch. 2.96 adopted in 2014 were a step in the right direction, and we are beginning to see the positive effects as RWH units are delivered to the market. The proposed changes would certainly negatively impact purchasers of units subject to such restrictions, and ultimately impact the supply of housing units in general.

Based on the foregoing, we respectfully request that this bill not be passed by this Committee. Thank you for the opportunity to testify.