

AH Committee

From: Jeff Gilbreath <jeff@hawaiiancommunity.net>
Sent: Monday, September 13, 2021 4:10 PM
To: AH Committee
Subject: Affordable Housing Recommendation: 180 Day Sales Period
Attachments: Pages from Appendix C. Community Recommendations.pdf

Follow Up Flag: Follow up
Flag Status: Completed

Aloha Affordable Housing Committee,

I am writing on behalf of Hawaiian Community Assets to clarify the recommendation on the 180 days sales period made in the comprehensive affordable housing plan.

The plan's recommendation was to establish 1, 180-day sales period at original AMI level. If not sold, County purchases and sells to residents on the County-managed waitlist. The County would be paid back by the mortgage loan the qualified local family receives.

This recommendation was to address two important issues (1) ensure the proposed affordable unit actually goes to a local resident at the original AMI level proposed by the developer and (2) reduce the cost and timeline for developer to sell a unit in light of the fact that under current statute an 80% AMI unit may have to be marketed for up to 360 days before it can be sold. Then, once it is sold, it can be sold at market and to non-local individuals.

The recommendation would achieve two important goals (1) streamline the sales timeline for the developer and therefore reduce costs on them currently when the marketing period is up to twice as long and (2) ensure a local resident purchases an affordable home at the proposed affordable price.

Please see our analysis and highlighted sections attached. It starts on page 116 of the plan.

I am happy to discuss further if you would like.

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

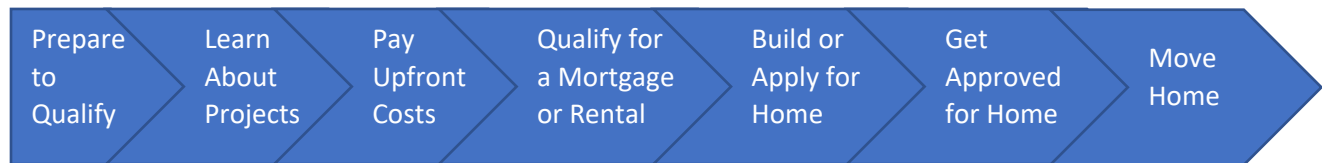
Interim Executive Director
Hawaiian Community Assets
200 N. Vineyard Blvd. #B140
Honolulu, HI 96817
Direct: 808-587-7653
Main: 808-587-7886
Toll Free: 866-400-1116
TTY: 877-477-5990
Fax Direct: 808-628-6879
Web: www.hawaiiancommunity.net

 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.

Build Community – My ‘Ohana



MY ‘OHANA



Current System. Under our current affordable housing system, our local homebuyers are often placed at a disadvantage as compared to nonresidents when purchasing affordable for-sale homes. This is due in part to the high cost of living for our local people, which impacts their ability to save for down payment and closing costs and leads to increased use of installment and revolving credit to make ends meet.

The county requires developers to maintain waitlists of potential buyers. The county also imposes a marketing requirement for affordable for-sale homes that requires developers to market the home at a price that meets a specific income level for the first ninety days and the developer is allowed to offer the home to the next higher income level every ninety days thereafter until the units are sold or there are no more income groups available. Under this requirement, homes offered initially to homebuyers at 80% AMI could take as long as 360 days to sell to a local buyer if offered to every income level up to 140% AMI. If no qualified local buyer purchases the home, it can be sold to nonresidents on the developer waitlist for a final ninety-day period before the developer is allowed to sell the home at market rate to any buyer.

This for-sale process can be long and drawn out. It creates financial hardship for the developer that carries interests on project loans, often fails at ensuring local residents buy affordable homes, and may result in higher closing costs to recoup increased project costs.

Lease up processes for affordable housing projects can also be lengthy if the development is not supported by a property management company.

Analysis. State consumer debt data reports Hawai‘i residents have more total and monthly debt than the average nonresident. The average Hawai‘i resident holds \$68,656 in total debt which is \$20,000 more than the United States consumer average of \$47,034. The average non-homeowner Hawai‘i resident without a student loan pays \$1,570 in monthly debt, while the average non-homeowner United States consumer without a student loan pays \$1,478, or nearly \$100 less than the average Hawai‘i resident. At the same time, Hawai‘i residents report the lowest average annual pay rates in the nation at \$43,019 as compared to the United States annual average pay rate of \$57,266 (Prosperity Now, 2020). High monthly debt combined with low monthly incomes increase the debt-to-income ratios of our local homebuyers. This creates challenges when trying to qualify for a mortgage to purchase an affordable home and when trying to compete with nonresidents who are not facing the same income and debt challenges.

Data from the Department of Housing and Human Concerns provided to the county council on February 8, 2021 reported that among three multi-family for-sale projects a total of 332 units were marketed to be affordable for households at or below 140% AMI under the 2.96 workforce housing ordinance. After as many as 360 days in the marketing period, only 117 units (or 35% of the total units) were purchased

by households at or below 140% area median income with 215 (or 65% of the total units) sold a market prices. Data was not provided as to whether or not the units were purchased by local residents or nonresidents. The data suggests individuals on developer managed waitlists for the referenced projects were less likely to qualify for mortgage financing than individuals not on the waitlist.

Realtors across the state have offered closing cost incentives that have benefited local homebuyers in becoming first-time homeowners. Property management companies are partners in assisting affordable housing projects in leasing up their units in quick order with local renters.

Conclusion. The current marketing requirement for affordable, for-sale homes is not effective at ensuring the homes are purchased by local homebuyers at or below 80% to 140% AMI and become part of the county's affordable housing inventory. The majority of persons on developer managed waitlists are not financially qualified to purchase affordable homes when opportunities are made available by the developer. Partnerships between developers and HUD housing counseling agencies, paired with housing subsidies through the Affordable Housing Fund, would increase the number of local homebuyers pre-qualified for mortgage financing and able to buy homes deemed affordable for households at or below 80% to 140% AMI when they are made available. More qualified local buyers would result in shorter time frames for home purchase, which would reduce the potentially lengthy sales period, decrease carrying costs on developers for their projects, and ensure homes built to be affordable for local residents are actually bought by local residents at prices they can afford.

Recommendations. The following community recommendations will update the current affordable housing system to reduce wait times and marketing periods and increase certainty of qualified homebuyers for developers selling affordable homes and local residents buying affordable homes.

Recommendation 17. Reduce wait time and marketing period to ensure homes stay affordable for local residents.

Recommended Actions

1. Council amends Maui County code 2.96 to set the marketing period for for-sale homes at a maximum of 180 days, prohibit the sale of a home for non-Maui County residents nor at any income level other than that committed to by the developer, and, if the home is still available after 180 days, give the county first right of refusal to acquire the home and sell it to an approved buyer on the prequalified First-Time Homebuyer Program list.
2. If the unit is still available after 180 days, Affordable Housing Coordinator, or a contracted Treasury certified CDFI administering the county's interim financing and buyback fund, to acquire the home and subsequently sell to an approved buyer.
3. Affordable Housing Coordinator, or a contracted Treasury certified CDFI administering the county's interim financing and buyback fund, works with HUD housing counseling agencies that administer the county's First-Time Homebuyer Program to identify a prequalified local homebuyer and accesses homebuyer subsidies from the Affordable Housing Fund to assist with the home purchase.

Recommendation 18. Require developers to partner with HUD housing counseling agencies to market for-sale homes to prequalified local homebuyers in the county's First-Time Homebuyer Program.

Recommended Actions

1. Council amends Maui County code 2.96 to eliminate the requirement for developers to maintain waitlists.
2. Developer markets for-sale homes to prequalified local homebuyers in the county's First-Time Homebuyer Program.
3. HUD housing counseling agencies assist prequalified local homebuyers in accessing housing subsidies from the Affordable Housing Fund to purchase a home in the development that is affordable at their income level.

Recommendation 19. Partner with realtors and property management companies to reduce costs and time for local families to secure a rental lease or purchase a home.

Recommended Actions

1. Affordable Housing Coordinator meets with realtors and property management companies (PMCs) willing to assist with rental leasing and sales contracts for county-supported affordable housing projects.
2. Realtors and PMCs offer discounted pricing for affordable rental lease up and closing cost incentives to reduce upfront housing costs for low- and moderate-income homebuyers up to 100% AMI.
3. HUD housing counseling agencies work with realtors and property management companies to receive referrals of local residents into the county's Affordable Renter and First-Time Homebuyer Programs.

Recommendations	Issue Addressed	Responsible Parties				
		County	Council	Realtors PMCs	HUD Counselors	Developers
17. Reduce Wait Times and Marketing Periods for Affordable Home Purchases	Decrease sales timeline for affordable homes; Reduce developer's carrying costs; Ensure purchase by local homebuyer; Increase affordable housing stock		X			
18. Require Developer Partnerships with HUD Counseling Agencies	Increase number of mortgage qualified local homebuyers for homes as they come up for sale		X		X	X
19. Partner with Realtors and Property Management Companies	Reduce closing costs for local homebuyers; Increase number of financially qualified renters and homebuyers	X		X	X	