

AFFORDABLE HOUSING COMMITTEE
Council of the County of Maui

M I N U T E S

June 30, 2022

Online via BlueJeans Link

CONVENE: 1:31 p.m.

PRESENT: Councilmember Gabe Johnson, Chair
Councilmember Michael J. Molina, Vice-Chair
Councilmember Tasha Kama, Member (In at 1:48 p.m.; Out at 1:59 p.m.)
Councilmember Kelly Takaya King, Member (In at 1:40 p.m.; Out at 1:41 p.m.; In at 2:05 p.m.; Out at 2:54 p.m.; In at 3:25 p.m.)
Councilmember Alice L. Lee, Member
Councilmember Tamara Paltin, Member (Out at 1:41 p.m.; In at 1:45 p.m.)
Councilmember Shane M. Sinenci, Member
Councilmember Yuki Lei K. Sugimura, Member (In at 1:34 p.m.)
Councilmember Keani N.W. Rawlins-Fernandez (In at 3:19 p.m.)

STAFF: Paige Greco, Legislative Analyst
Alison Stewart, Legislative Analyst
Richard E. Mitchell, Legislative Attorney
Stacey Vinoray, Committee Secretary
Jean Pokipala, Council Services Assistant Clerk
Lei Dinneen, Council Services Assistant Clerk

Kate Griffiths, Executive Assistant, to Councilmember Johnson
Autumn Ness, Executive Assistant to Councilmember Johnson
Ana Lillis, Executive Assistant to Councilmember Molina
Laura McDowell, Executive Assistant, Councilmember Molina
Evan Dust, Executive Assistant to Councilmember Kama
Lois Whitney, Executive Assistant to Councilmember Kama
Davideane Kama-Sickels, Executive Assistant to Councilmember Kama
Axel Beers, Executive Assistant to Councilmember King
Ellen McKinley, Executive Assistant to Councilmember King
Sarah Freistat Pajimola, Executive Assistant to Councilmember Rawlins-Fernandez
Kainoa Kaumeheiwa-Rego, Executive Assistant to Councilmember Rawlins-Fernandez
Dawn Lono, Executive Assistant to Councilmember Sinenci

Mavis Oliveira-Medeiros, Council Aide, Hāna District Office
Denise Fernandez, Council Aide, Lāna‘i District Office

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Anabelle Hernandez, Makawao-Ha'ikū-Pā'ia District Office
Zhantell Lindo, Council Aide, Moloka'i District Office
Daniel K. Kanahele, Council Aide, South Maui District Office
Christian Balagso, Council Aide, West Maui District Office

ADMIN.: Mimi DesJardins, Deputy Corporation Counsel, Department of Corporation Counsel
Linda Munsell, Deputy Director, Department of Housing and Human Concerns
Clyde "Buddy" Almeida, Housing Administrator, Department of Housing and Human Concerns
Jennifer Crouse, Assistant Housing Administrator, Department of Housing and Human Concerns

OTHERS: Keoni Kuoha, Director, House Maui Initiative, Hawai'i Community Foundation
Paul Cheng
Lawrence Carnicelli
Cassandra Abdul, Executive Director, Na Hale O Maui
Doug Bigley, Ikaika Ohana
Mariah Espaniola, Lead Community Specialist, Hawaiian Community Assets
Kai Nishiki
Others (6)

PRESS: *Akakū: Maui Community Television, Inc.*

CHAIR JOHNSON: . . .*(gavel)*. . . Aloha. Will the Affordable Housing Committee meeting please come to order. I'm Gabe Johnson, Committee Chair. Present with me is just myself in my house alone. And we have no testifiers at the Lāna'i District Office. So, Members, in accordance with the Sunshine Law, if you're not on the Council Chambers, please identify by name who, if anyone, is in the room, vehicle, or workspace with you today. And we're at bare quorum today, so we're going to just start off with the Members that are here, and some will be coming a little bit later. And we have Committee Vice-Chair Mike Molina.

VICE-CHAIR MOLINA: Hey. Aloha, Mr. Chairman. And good afternoon to you, my colleagues, and everyone else joining us for our Affordable Housing Committee meeting today. I'm transmitting from my residence under the virtual bridge here in Makawao. There's no one else in the house. And there are no testifiers at the Pā'ia District Office. Mahalo.

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CHAIR JOHNSON: Thank you, Councilmember. I think the greeting I forgot was susada [sic], if I said that correctly. Next, move...let's move on to Council Chair Alice Lee. Susada [sic]. I'm probably doing it wrong.

COUNCILMEMBER LEE: Well, susaday. Susaday from Cambodia. And looking forward to your meeting. And aloha again to my colleagues. I'm home alone --

CHAIR JOHNSON: *(audio interference)*

COUNCILMEMBER LEE: -- in my workspace. I was...we had the 7th Floor sanitized today, so I wasn't able to go into the office today. Okay.

CHAIR JOHNSON: Okay. Good to see you. Let's move on to Councilmember Tamara Paltin. Susaday to you.

COUNCILMEMBER PALTIN: Aloha 'auinalā and susaday kākou. Broadcasting live and direct from rainy Hilo Town, I'm in the vehicle on route to my parent's location. And with me is my brother David Paltin. And we have no testifiers at the Lāhainā District Office. Thank you.

CHAIR JOHNSON: All right. Great, great. Let's see, Councilmember Tasha Kama will be excused, she'll be coming in a little late. Councilmember Keani Rawlins-Fernandez, excused, will be coming in a little late. Next, we have Councilmember Shane Sinenci. Susaday to you, Councilmember Sinenci.

COUNCILMEMBER SINENCI: Hey, aloha and susaday, Chair. However, I did know somebody, Susada *(phonetic)*, but aloha to him too. For the record, I'm broadcasting from my home office. And it looks like Ms. Medeiros had informed us in the chat that there are no testifiers at the Hāna District Office. Aloha.

CHAIR JOHNSON: Aloha. Great. And also, Councilmember Kelly Takaya King is excused, and she'll be coming in a little late, as well as Councilmember Yuki Lei Sugimura has informed me that she will be coming in a little late.

COUNCILMEMBER SUGIMURA: I'm here, Chair. I'm here. This is Yuki, I'm here. I'm listening.

CHAIR JOHNSON: We got...okay, there's Councilmember Yuki Lei Sugimura driving.

COUNCILMEMBER SUGIMURA: Yeah, sorry, my video...

CHAIR JOHNSON: Such dedication.

COUNCILMEMBER SUGIMURA: Yeah. My video was off, so sorry about that. I'm almost at the office.

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CHAIR JOHNSON: Okay.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR JOHNSON: Welcome, welcome. All right. So, other people with us today is our Deputy Director Linda Munsell, Assistant Housing Administrator Buddy Almeida, Deputy Corporation Counsel Mimi DesJardins. Our Committee Staff is Legislative Analysts Paige Greco and Alison Stewart, Legislative Attorney Remi Mitchell, Committee Secretary Stacey Vinoray, Assistant Clerks Lei Dinneen and Jean Pokipala. So, for the benefit of the viewing public, today's meeting is the first Affordable Housing Committee meeting held on a Thursday instead of a Monday during Committee week. The Affordable Housing Committee has switched meeting days with Human Concerns and Parks Committee, chaired by Councilmember Tasha Kama. I just want to personally once again thank Councilmember Kama for switching with us. The HCP Committee has resumed the Monday afternoon slot at 1:30 p.m., once held by the Affordable Housing Committee. Okay. Members, we have one item on our agenda today, that's AH-14(6), Comprehensive Affordable Housing Plan: Affordable Sales Price Guidelines. So, let's begin with public testimony. Testifiers can join the BlueJeans meeting using the information on the agenda. Written testimony can be sent at any time using eComment. Search for the meeting date on mauicounty.us/agendas. Click on the eComment link, and then select agenda items to submit comments on. Oral testimony is limited to three minutes. While waiting for your turn to testify, please turn off your microphone and video. When you're called upon, please unmute yourself, state your full name, and if you are testifying on behalf of an organization or if you're a paid lobbyist. If you have joined this meeting on BlueJeans, Staff will add your name to the testifiers list. The link to the list will be...will be posted in the chat, and you may chat to be added or removed from the list. Chat should not be used to provide testimony or comments during the meeting. And once testimony is closed, please disconnect from BlueJeans. You may continue to view the meeting on *Akakū* Channel 53, Facebook Live, or at mauicounty.us/agendas. Mahalo for your cooperation. So, it looks like we have some testifiers today. So, Ms. Stewart, can you please call the first testifier? Okay. I'm not hearing anything, so we have...

MS. STEWART: Chair?

CHAIR JOHNSON: Oh, go ahead.

MS. STEWART: Apologies. The first testifier is Keoni Kuoha.

CHAIR JOHNSON: Good to see you, Mr. Kuoha.

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. . . BEGIN PUBLIC TESTIMONY . . .

MR. KUOHA: Aloha. Aloha ‘auinalā na lālā hanohano keia ‘o Komike. ‘O ko‘u inoa Keoni Kuoha. I serve as Director of the House Maui Initiative of Hawai‘i Community Foundation. I’m employed by HFC to work with a variety of stakeholders to address the housing crisis in Maui County and enable access to affordable housing by our local residents. That’s why I’m here, to lobby this Committee today and express some hesitance and concern with Bill 107. First off, I support the intent of Bill 107. There are multiple costs around homeownership above and beyond a mortgage that can easily push an affordable housing unit out of the reach of the very people it’s targeted to benefit. This bill clearly addresses those...those additional costs, and rightly seeks to cap those costs at 31 percent of gross monthly income; however, the core of my concern is that Bill 107 creates a mandate without the resources to support that mandate. Currently, our affordable housing developers utilize a number of finance sources that are built around the HUD price guidelines. These resources are there to meet the...these resources...there are resources there to meet the HUD guidelines. And affordable housing developers manage to patch together monies, often from a variety of sources, in order to make affordable housing possible. However, while Bill 107 lowers the cost burden to our low-income buyers, my question is, where are the resources to make up the difference? Where do our affordable housing developers get the resources to make up the difference between the current finance sources and the amount that homebuyers are expected to contribute? I...I come to you with this honest question, I am wondering it myself, and you know, I’m sure you’ve already consulted with experts in affordable housing and Finance, but if...if not, then I...I truly encourage you to...to look further into this issue. Because my concern is that you...if this mandate is added to the current affordable housing provisions in our County laws, it’s actually going to stop any further affordable housing development because the developers don’t know how to make the numbers add up. So, that’s...that’s my concern, but I appreciate the time. And...and have a good day. Take care. Aloha.

CHAIR JOHNSON: Thank you, Mr. Kuoha. Members, any questions for our testifier? Okay. I...oh, go ahead. Chair Lee has a question.

COUNCILMEMBER LEE: Hello, Mr. Kuoha. Just checking if --

MR. KUOHA: Aloha.

COUNCILMEMBER LEE: -- you have been tracking the interest rates because you talked about sales prices. So, are...are they up to 6 percent now, do you know?

MR. KUOHA: They’re getting pretty close. And that’s --

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COUNCILMEMBER LEE: All right. Thank you.

MR. KUOHA: -- so that's another...that's another in terms of affordability is...is the interest rate is really kind of push it out of range for many people as well.

COUNCILMEMBER LEE: So, are...are...are you actually asking the County to like subsidize the difference?

MR. KUOHA: I...I'm wondering where the difference comes from. So, you know, whether it's Federal, State, or County sources, in order to...to put this mandate in place...and/or if the...the resource is expected to come from developers, but it...it...I think we need some clarity on where the difference is that those resources are coming from.

COUNCILMEMBER LEE: Thank you.

CHAIR JOHNSON: Okay. We have another question for you from Councilmember Sugimura.

COUNCILMEMBER SUGIMURA: Sorry about that. So, excellent, your testimony, Keoni, and that was some of the questions that was running through my mind because of how difficult it is to find funding. And I wonder if...from your testimony, you probably understand the many resources that are available and from...from what you said, are there resources that you could send us to the pot, or are you just throwing out a general question?

MR. KUOHA: You know, it's...one...and actually, I got to see Mr. Gilbreath's testimony as well, and he suggests that the monies that the County has put aside for deferred payment mortgages, that that be coupled with this mandate and/or any other sort of monies that the County puts forward in order to make up the difference. And so I think that's...that's one option, but I...I just...my question is more...more general in terms of...because I think there are other ways of...of making up the difference. I just ask or wonder where...where we're making up the difference.

COUNCILMEMBER SUGIMURA: Okay. Very good testimony. Thank you very much, Keoni.

MR. KUOHA: Thank you.

CHAIR JOHNSON: Okay. Members, any other questions? I have one for you, Mr. Kuoha. So, of course you mentioned Jeff Gilbreath's testimony in regards to deferred mortgage payments, and that is one way that we can cover the costs to make up for lowering the affordable housing price guidelines. But...have...have you been following Bill 61, the...the uses of our...of our Affordable Housing Fund?

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Like we've expanded the uses where you can now use bonds. It's big...that's real big money there. You know, so have you been following the other legislation that we're putting forward? Because remember, we don't do it in a vacuum, we do it as a...you know, it is a step process. So, if this standalone, I can see your concern, but letting you know that there's also other funds that we have been putting. Have you been following those?

MR. KUOHA: I have. And...and that's...it's important to recognize that it's all sort of coming as a package. The affordable...the...the comprehensive plan that this Council put forward, really, it is comprehensive, and so many pieces are interconnected. This is one of them.

CHAIR JOHNSON: Yeah.

MR. KUOHA: Thank you.

CHAIR JOHNSON: Okay. Thank you for your testimony. Members, any other questions? Seeing none. Thank you once again. Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, the next testifier is Paul Cheng, to be followed by Lawrence Carnicelli.

MR. CHENG: Can you hear me?

CHAIR JOHNSON: Loud and clear, Mr. Cheng. How are you?

MR. CHENG: Hey, Chair Gabe and Councilmembers, honorable Councilmembers, thank you for giving me the opportunity to testify. I...I am an affordable housing developer. I have done LIHTC, low-income housing tax credit projects before. I've done many market-rate housing before. I've done rental, I've done for-sale. So, I completely get what you're trying to do here. The issue is...is really pretty straightforward. What this bill does is that it helps the people get on the road of ownership, which is fantastic. In a healthy economy such as Maui, you can certainly find ways to afford that. I think...I certainly support this portion of the bill. The gentleman before me, Keoni Kuoha, mentioned there's a supply issue, right? So, if you solve the demand issue, meaning make it affordable, like you said, there has to be accompanying bills to, you know, incentivize the generation of this product. We as builders are really just a producer. If...if there is a way we can make a living producing this product, why wouldn't we? We certainly would, and should, and want to. So, especially when it helps the whole community as...as this bill certainly will. So, I...I want to say this, it's...it's...it's entirely doable, what you're talking about, given the economics of it. I'm happy to help the Committee as a resource in going through the details of the supply side as well as the demand side. To incentivize the builder side, we're not kind

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of difficult to work with. I think, for example, in the Federal tax credit world, a 10 percent profit margin is...is about right. And if you look at recent Hawai'i low-income tax credit approved projects, they also just have a 10 percent profit margin. That is by no means extraordinary or outrageous or whatever. That's just a fair reward for the work. So, I think if you set your support at the 10 percent level and, you know, you can lower this price for the homes the way you feel like is necessary...and I understand all the calculations that went, very, very thoughtful. This will be one of the most impressive, progressive affordable housing legislation in the country. It...it really is. And...and this comes about because of Maui pricing, right? So, all the formulas and, you know . . . *(inaudible)*. . . but the rental side, affordable rental . . . *(timer sounds)*. . . is based on mainland prices and...and they don't apply here. They don't even come close to applying here, it...it makes no sense. So, when you look at all the applications for tax credit deals, the cost to produce a unit often is twice as much as what the Federal tax credit and State tax credit can afford. So, the gentleman before me was mentioning there's a gap...yeah, there's a gap because it's a Maui gap, and that's what it is. So, if...you have the housing fund, definitely a good use will be for that. And I'm highly --

CHAIR JOHNSON: Mr. Cheng...

MR. CHENG: -- supportive of it. I have a project that we can kick out affordable--I mean develop, not kick out--immediately develop. We're almost ready to start now. Literally, my permit for grading is in the County for approval.

CHAIR JOHNSON: Okay. Mr. Cheng --

MR. CHENG: Yeah.

CHAIR JOHNSON: -- I...

MR. CHENG: I ran out of time. Yeah. So, go ahead.

CHAIR JOHNSON: Ran out of time; however, you mentioned that you would be willing to be a resource for us today?

MR. CHENG: Yes.

CHAIR JOHNSON: Will you be...okay. So, Members, without objection, I will...I'd like to designate Paul Cheng as a resource person under Rule 18(A), given his expertise as a developer.

VICE-CHAIR MOLINA: No objections.

CHAIR JOHNSON: Any objections?

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COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR JOHNSON: Okay. So...so, we'll have questions for you after we go through this if we...if the Members want to ask you because you had some really good testimony, Mr. Cheng.

MR. CHENG: Happy to help any way.

CHAIR JOHNSON: Thank you...thank you so much.

MR. CHENG: Yeah.

CHAIR JOHNSON: Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, the next testifier is Lawrence Carnicelli, to be followed by Cassandra Abdul.

MR. CARNICELLI: Good afternoon, Chair. Lawrence Carnicelli, Vice-President of Development for Alaula Builders, and Secretary of the Board of Directors for Stand Up Maui. I'm not testifying on either one of those accounts, I'm testifying on my own account. I'm going to have to respectfully disagree with Mr. Cheng. Mr. Cheng is talking about LIHTC, which is funded through subsidies and government. What we're talking about here is for-sale affordable housing. And this bill basically just...what it does is it says we're going to magically make prices 22 percent cheaper. I get it. The saying that people have to spend 50 percent of their income to afford a house is not sustainable. It's...it's not...you know, it's just not sustainable, and I don't think it's even fair to ask that. But to suddenly say okay, magically we're just going to make the prices 22 percent cheaper also is not sustainable, and it's not...it's just...it's...it's not sustainable either way. So, what we're looking at is...you know, what you guys were given was a comprehensive affordable housing plan. It had steps, one, two, three, here's what you do. To use it as a menu is disingenuous, quite honestly. And...and...and so to say okay, this is in the plan and so we're going to put that, that's not really the intent of this. It is to say that we just need to lower prices without taking the whole thing into account, I...I think, is...is something that we need to...we need to take the whole thing into account. And Chair, you brought up Bill 61; however, there's no nexus. You put the money in the Affordable Housing Fund, but I'm sitting here going okay, I got to make up a 22 percent change. Or even...I'll tell you what, even if you go to what DHHC has brought for you guys, I think it's like an 8 or 9 percent change, that's still huge. If you just went to the grocery store and said you got to lower the price of eggs by 9 percent, 22 percent, it's just not sustainable, right? So, oh, how are we going to make up the gap? That's what Keoni was talking about to start, right? Is to say like oh, well, we put this money in the Affordable Housing Fund, but how does it get to me? There's zero nexus

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right now. This bill just...like if you were to pass this bill, if it were to get codified...tomorrow, all of the projects have to go according to that. And there's...like how do you get the funds? How would I even look to purchase a property, a future property, not knowing what the price is going to be or how we're going to make up that gap, right? Like this is...you know, when you talk about the Comprehensive Affordable Housing Plan, it was comprehensive, there were steps to get there. I get what we're trying to do. And Chair, you said in the last meeting that you wanted to make homeownership more accessible, right, like that's sort of the goal, we got to make it more accessible. I think we all agree that we do need to make it more accessible. We don't have a demand issue right now, we have a supply issue. We're not building anything, right, we need to build more, and...and to look at this from the . . . *(timer sounds)*. . . demand side or the supply side. And Chair, since you did grant Mr. Cheng additional time, I would appreciate some additional --

CHAIR JOHNSON: Sure.

MR. CARNICELLI: -- time as well. I don't want to just say negative, so I'm going to also come to you guys with the positive...solutions, right? You guys don't want people to just come up and just, you know, bitch at you all the time. The deferred payment mortgage program, right, that is what Mr. Gilbreath brought up in his testimony, it's what I've talked about numerous times. Let's give the money to the buyers. Don't get into some convoluted thing with developers, and we have to go look for something, and how we're going to get the money, and who's going to guarantee it. And you guys can appropriate it, but you can't actually allocate it to me...all those other things. Give the money to the buyers. Especially in today's...today's...what's going on, buy down their interest rates. Go...instead of saying okay, listen, we're going to buy down the price, what if we bought down your interest rate from 6 to 4 percent, or from 4 to 2? Now you're talking about real money in people's pockets for the duration of their mortgage. And suddenly, people that are trying to put, you know, sticks and stones vertical and build houses for people don't have this wishy-washy thing, because what you're doing is you're taking care of the actual buyer who it is that we want to take care of.

CHAIR JOHNSON: Yeah.

MR. CARNICELLI: So, thank you for the extra time, Coach...Coach...Chair.

CHAIR JOHNSON: You can call me coach.

MR. CARNICELLI: Thank you.

CHAIR JOHNSON: I'm just...well, Lawrence, before we go to the questions, I just want to, you know, remind you that we have a matrix that we put up on...on...on Granicus. It shows the path that we're going, so it...it's not whack-a-mole,

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we're...we're following a process. So, please check that out. We do have a question for you.

MR. CARNICELLI: No, no, I...I have, Chair, and I've seen that, I just...it's not the same as the affordable housing plan. That's...that's...that's my --

CHAIR JOHNSON: Right.

MR. CARNICELLI: -- only point, is that that matrix is not the plan. That's my only point.

CHAIR JOHNSON: Okay. Valid point. Question from Councilmember Paltin, followed by Chair Lee. Oh, wait, before...before we do that, I want to recognize Councilmember Kama. I beg your pardon. I saw you get on, I wanted to recognize you. Good afternoon, Councilmember Kama. Sowaday [sic]. I'm...I'm butchering it.

COUNCILMEMBER KAMA: Aloha 'auinalā, Chair, and sasaday [sic] to my colleagues, and to everyone out there in *Akakū* land. I am here in my workspace, I am alone, and Lena and her caregiver are in the other room. Thank you, Chair.

CHAIR JOHNSON: Thank you. Okay. So, we have a question from Councilmember Paltin, followed by Chair Lee.

COUNCILMEMBER PALTIN: Thank you, Chair. Thank you, Mr. Carnicelli, for your testimony. I have two clarifying questions. The first clarifying question was, when you said in your testimony that Mr. Cheng was speaking to LIHTC, can you clarify how you meant that he's not a LIHTC developer?

MR. CARNICELLI: He stated in his testimony that he was a LIHTC developer. Because there's a --

COUNCILMEMBER PALTIN: Like...

MR. CARNICELLI: -- there's a difference between...there's a difference between for-rent and for-sale, and in...in our world, we call...LIHTC is low-income housing tax credits. It's a...it's a acronym, low-income housing tax credits. That's what they use to do for-sale. So, it's like, you know, Doug Bigley, Kevin Carney, what Mr. Cheng is going to do in Pulelehua is...is for-rent, which is low-income housing tax credits, LIHTC.

COUNCILMEMBER PALTIN: Oh, shucks, it was my understanding it wasn't 60 percent and below.

MR. CHENG: No, no, I...

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COUNCILMEMBER PALTIN: But okay.

MR. CHENG: May I?

CHAIR JOHNSON: Councilmember Paltin, do you want to have Mr. Cheng respond to your question?

COUNCILMEMBER PALTIN: I can wait until we're in the --

CHAIR JOHNSON: Okay.

COUNCILMEMBER PALTIN: -- resource part on that. My second question is, you know, the clarifying part was when you said put the money directly into the hands of the people. I think...my belief is that the Chair is trying to define what's affordable, and if that doesn't happen, it doesn't matter if we put the money into the hands of the buyer because the developers can keep moving the goalposts. So, if we're not going to define what's affordable, it doesn't matter how much money or percent points or whatever that we put in the hands of the...the...the buyer because the developer will say, you know, that...oh, well, they're getting this subsidy, and...and our costs are going up, and so this is what it is now. And then it...it's...it's we're back to square one. So, I just wanted to know if you could clarify how that would not happen?

MR. CARNICELLI: Sure. Thank you...thank you for that opportunity to clarify. I can't move the goalposts. My...my numbers are set by the AMI table. What this bill does is it changes that AMI table, right? So, it's like as an affordable housing developer, if I say okay, it's a three-bedroom house, and it's 5 percent interest, I mean literally, I go to the matrix and it's the above-moderate income group. It tells me what I can buy for. So, it's like I...I don't move the goalposts at all, that number is there. I need that certainty, right? That's why I'm saying, is give the money to the buyer because if you're going like okay, you're going to just lower the price, and then I got to go figure out how to make up the gap between, say, today's price and tomorrow's price, that 22 percent, then it's just like going...and I...I know you guys have talked about in...in the past about saying okay, would be the...say, the Chair of the Affordable Housing Committee and the Director of Housing. Well, even then, it's like at what point? And can they guarantee me money? They can't appropriate any money. They say oh, yeah, we can get you \$10 million for that project. Then all of a sudden I go through the whole process, and I don't get the \$10 million. So, anyways, that's what I mean by it's like I can't move the goalposts on...on our prices. I mean, our prices are moving though. As you all know, interest rates are going up, you know, material costs are going up, labor's going up, fuel's going up, delivery cost is going up. So, we're in a precarious situation anyway. I mean we're kind of like where we were at 2008 when...when we made everything 50 percent, and then the economy recovered,

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and Maui didn't recover until we made it 25 percent. So, it's kind of like the same thing, it's like it sounds good, lower prices, but we're kind of at that peak sliding downward, trying to do...you know, anyway, like I said, I say just give the money to the buyers.

COUNCILMEMBER PALTIN: Okay. And one follow-up question based on your response to that last question. When you said prices and the percentage points are going up, is it...is it that the...the mortgage percentage rates are going up because...is...is supply costs going down, no?

MR. CARNICELLI: No, no, no. Supply costs are going up. Material costs are going up. But when you look at the...the...the matrix, the affordable housing sales price guidelines, I just looked it up earlier, the...roughly the price of a, say, above-moderate three-bedroom home at 4 percent and the price of a three-bedroom house at 5-1/2 percent, it's about \$130,000 difference. So, that price is...that house is now \$130,000 cheaper for the buyer, but their interest rate is higher. So, you know, what it means is, you know, their payment is the same, but what the builder has to sell it for has gone down \$130,000. If you just look at the way the matrix works, the...the affordable housing price guidelines.

COUNCILMEMBER PALTIN: Okay. Shucks, that's not what I heard. Okay. Thank you.

CHAIR JOHNSON: Right, let me clarify. The developers have been telling me that the price of lumber is going down, there are prices...some of the materials are going down. They might have gone...I mean I've heard that last year, but you know, we're on a road to recovery from whether COVID or whatnot, but it is going down at this time. Who's to say, but that's where it is right now. Member...we had a question from Council Chair Lee. Go ahead.

COUNCILMEMBER LEE: Thank you, Chair. Mr. Carnicelli, it would be very helpful if you actually made a concrete suggestion on how to tie the Affordable Housing Fund to this bill, okay. So, you know, you...you might want to give it a thought. But in the meantime, we all know that interest rates are rising, and costs are going up in general, so wouldn't...besides the Affordable Housing Fund, is it possible, let's say, to get a 35-year loan and then have the Affordable Housing Fund buy down some of the interest...some of that interest rate? So, that would help...in other words, not use all of the Affordable Housing Fund on a relatively few number of homes...in other words, there should be a cutoff point where the subsidy should be no more than 100,000 per house, depending on various criteria. I mean we cannot afford to give somebody \$500,000 subsidy, yeah, because then before long we'll have no Affordable Housing Fund. So, that's why I'm saying if...if you have any suggestions on how to actually tie the fund to the...to the prices so that we can determine how much subsidy that we would be able to apply to every unit, and are there other ways in combination with that to save money for the person by extending the...the length of the loan? And...and

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is it possible for the County to underwrite a portion of that? You know...you know, if it's a 35-year loan, underwrite the...the 35th year. Do you have any ideas?

MR. CARNICELLI: Thank you...thank you, Chair Lee. There's a lot to unpack there.

COUNCILMEMBER LEE: Yeah.

MR. CARNICELLI: And...and I...I appreciate where you're going with it. Is...is...you're right, okay. First, the nexus, right, like how do you tie the Affordable Housing Fund to this particular bill. I find that a little bit hard because this bill is...what it's trying to do is change the actual AMI price guidelines. And so what I'm trying to do is bifurcate the price guidelines from the purchase of what the buyer is going to pay, which then is the direct nexus to what you're talking about, which is, you know, say oh, it's a \$400,000 house, we want to buy it down to, you know, 400,000 [sic], that's \$100,000 that the County's got to write the check for. You could get to the same monthly payment by--you're right--extending, say, from 30 to 35, I think there's even 40-year mortgages now, so that will bring the price down. But if you buy the interest rate down, that homeowner's monthly payment goes down. So, you might be able to spend, say, 3 points, and a point is, you know, 1 percent of the loan, so you say like okay 4,000, 4,000, 4,000, it's \$12,000, buy down the points, and suddenly oh, okay, by buying down points, now they're going to have a lower payment for a much longer time, for the length of their mortgage, rather than just trying to buy it down from, you know, 500 to 400 or 400 to 300 at today's prevailing rates. So, yes, buying down rates is definitely a way of doing that. So, in the nexus of this particular bill, it would be okay, instead of amending the AMI table, is amending purchase prices. That's kind of where I'm going, is like there's a difference between --

COUNCILMEMBER LEE: Yeah.

MR. CARNICELLI: -- you know...

COUNCILMEMBER LEE: Well, you know, my concern is that you not only buy down points or whatever it is, but you leave the homebuyer with something, and not...not --

MR. CARNICELLI: Right.

COUNCILMEMBER LEE: -- deplete every penny of his savings. Because as you know, it takes...it costs money to maintain a household.

MR. CARNICELLI: Right.

COUNCILMEMBER LEE: I mean it's not --

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MR. CARNICELLI: Right.

COUNCILMEMBER LEE: -- free --

CHAIR JOHNSON: Right.

COUNCILMEMBER LEE: -- you know.

MR. CARNICELLI: Right.

CHAIR JOHNSON: Okay.

MR. CARNICELLI: No, you're...you're...

COUNCILMEMBER LEE: So, you have to leave some --

CHAIR JOHNSON: Thank...

COUNCILMEMBER LEE: -- some money in the bank.

CHAIR JOHNSON: Let's...

MR. CARNICELLI: No, you're...

CHAIR JOHNSON: Hold on a minute. Let's stick to clarifying question, folks. I appreciate that. You know, Chair Lee, your question was answered. I want to recognize Councilmember Kelly King. Welcome. Good to see you. And sadaday [sic] to you.

COUNCILMEMBER KING: Thank you, Chair. I'm actually in the Wailuku office, but for some reason I couldn't get logged in through the normal channel, so I'm...I believe I'm joining as a guest, which is why you don't see my name at the bottom of my screen.

COUNCILMEMBER LEE: It's there.

CHAIR JOHNSON: It...it says --

COUNCILMEMBER KING: Happy to be here.

CHAIR JOHNSON: -- Kelly King at the bottom. Yeah.

COUNCILMEMBER KING: Oh, it does? Okay. It's not showing --

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CHAIR JOHNSON: Yeah.

COUNCILMEMBER KING: -- on my end. Okay. Great.

CHAIR JOHNSON: So, --

COUNCILMEMBER KING: All right. Well, I'm here.

CHAIR JOHNSON: -- okay, great. She's here, and we're ready to rock.

COUNCILMEMBER KING: Nobody else is...yeah, nobody else is in the office with me.

CHAIR JOHNSON: Okay. Great. We have a question from Councilmember Sugimura for Mr. Carnicelli.

COUNCILMEMBER SUGIMURA: I don't really have a question, Chair. I would like to know if Mr. Carnicelli, with his wealth of knowledge can be, as you just heard him, a resource when we take this up.

MR. CARNICELLI: Yes, I'd...I'd be happy to.

CHAIR JOHNSON: Mr. Carnicelli, are you free?

MR. CARNICELLI: I'm not free --

CHAIR JOHNSON: Okay.

MR. CARNICELLI: -- but I will make the time for you, Chair.

CHAIR JOHNSON: All right. Members, without objection, I'll designate Mister...Lawrence Carnicelli as a resource person under Rule 18(A) of the Council, given his expertise --

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR JOHNSON: -- as an affordable housing developer. Any objections?

COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR JOHNSON: Okay. Okay. Any other questions? Seeing none. We're going to move on to the next testifier. Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, the next testifier is Cassandra Abdul, to be followed by Douglas.

MS. ABDUL: Good afternoon, everyone. I've been trying to turn my camera on, but I

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guess I'll just stop doing that. Thank you very much for all the work that you've been putting into on the affordable housing policies, including working on the income and sales guidelines for Maui County. We did submit written testimony. And I just wanted to mention that the way that the tables are currently set up, Maui County takes the HUD information for income and sales, and modifies it based on additional information they receive from the...the State of Hawai'i on particular areas. So, it would be Hāna, Lāna'i, and Moloka'i. And in the past, they have reduced both the income qualification at the same AMI, and also the prices of the homes. And what...it...it appears what we are looking at in Bill 107 is having a unified income for all areas of Maui County. So, we wanted to understand that because as you know, we work with low to moderate-income homebuyers, and we need to understand it so that we can explain it to our constituents and those people who are working very hard to improve their lives and obtain housing here in Maui County. I guess my first concern is if you raise the maximum income all across the board for Maui County, it doesn't really change the actual income that our families are earning in those other areas. And when you do that, and you tie it into the maximum sales price, the prices go up for those families also, if it's all unified. So, for instance, right now for Hāna, currently the AMI is \$66,060. That's for 100 percent AMI. And as I understand it, and I may be mistaken, this bill would raise it to 101,100. That's 100 percent AMI for the rest of Maui County. That's an increase of 153 percent, or 53 percent more than they currently are earning according to...to the calculations. And then the prices of the houses would also go up for these same families, and I'm not sure if that...that is really going to --

CHAIR JOHNSON: Miss...Miss --

MS. ABDUL: -- benefit them --

CHAIR JOHNSON: -- Abdul?

MS. ABDUL: -- because their income will not change. Go ahead.

CHAIR JOHNSON: I...I want to...I want to jump in here because that's more of an AMI discussion, and we're talking about the formula. We're not going to mess with the AMI, that'll be for a later time. We'll talk about AMIs later, but we're talking about the formula of the affordable price guidelines. So, I would understand your concern for that, but we're talking about the affordable housing price guidelines, so...

MS. ABDUL: Okay. All right. Well, thank you for that clarification. I made the assumption based on the wording in the bill and this is...anyway, the second half of paragraph C talks about qualifications and maximum percentage of household income. So...okay. If you are just focusing on the first half of that bill, and the AMI table is...my comment still stands that you can increase sale prices and

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income, but it doesn't necessarily mean that that's going to actually follow in the real world. . . .(timer sounds). . . Oh.

CHAIR JOHNSON: Okay. Thank you. Members, do we have any questions for Ms. Abdul? I...I would just say please stay on, and we'll...we'll explain a lot of that. I know that we'll...we'll...we'll get into the explanation, and we'll...we'll clarify all of your concerns. So, thank you so much, Ms. Abdul. Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, the next testifier is Douglas, to be followed by Mariah Espaniola.

MR. BIGLEY: I'm...I don't know if you're there or here. Sorry about this. I think it's Doug Bigley, if that's who you were looking for, but I'm basically just here as a resource. I wasn't really here to testify. I can answer some of the questions that...when we get to the end that the Committee is asking. You know, like one of the things I can kind of address just very briefly it's like, for instance, about prices, Gabe, you were asking about. Generally there is an inverse relationship between the rise in interest rate and the fall in construction costs. So, that is occurring. It's volatile right now, it tends to go up and down, but there's some of these relationships that over time seem to...you know, seem to work. So, as you guys go through it all, kind of make notes, and maybe at the end we can...I can give you --

CHAIR JOHNSON: Okay.

MR. BIGLEY: -- some background if you'd like.

CHAIR JOHNSON: Let me make you...designate you a resource if you're willing to stay on. So --

MR. BIGLEY: Yeah.

CHAIR JOHNSON: -- Members, without objection, I'll designate Doug Bigley as a resource person under Rule 18(A), given his expertise in affordable housing.

COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR JOHNSON: Okay. Great. Thank you so much, Mr. Bigley. Okay. Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, the next testifier is Mariah Espaniola, to be followed by Brendon Kennedy (*phonetic*).

MS. ESPANIOLA: Aloha. My name is Mariah Espaniola. I am the Lead Community Services Specialist here at Hawaiian Community Assets. I'm just here to absorb

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the information that is being shared, to be a guidance in the movement towards affordable housing to support Maui County buyers. (*Audio interference*) to testify, I am also here to be a resource. Mahalo.

CHAIR JOHNSON: Okay. Sure, we can...Members, without objection, I'll designate Ms. Mariah Espaniola as a resource person under Rule 18(A), given her expertise in affordable housing. Any objections?

COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR JOHNSON: Seeing none. Okay. Thank you so much. So, we can also use her. She's going to do...we have plenty of resources for us. So, now...okay. So, Members, or I mean Miss...let's see, we have one...how many more testifiers do we have? Let's see.

MS. STEWART: Chair, there are three individuals on the list at the moment.

CHAIR JOHNSON: Okay. Ms. Stewart.

MS. STEWART: The next testifier is Brendon Kennedy, to be followed by Kai Nishiki.

CHAIR JOHNSON: Okay. Brendon, you're on the call, are you...are you ready to testify? Okay. Well, we can come back to that...to that person, and we can call the next one. Ms. Stewart?

MS. STEWART: Chair, the next testifier is Kai Nishiki, to be followed by the last individual on the list, Junya Nakoa.

MS. NISHIKI: Hello, Chair, Committee Members. Kai Nishiki, testifying on my own behalf. You know, I'm...I'm a little concerned with the direction that the discussion is going and...and the focus. You know, we're talking about affordable sales price guidelines, and the focus needs to be on the needs of our residents...you know, the single moms who are struggling, the people who are getting kicked out of their...out of their housing and are unable to even contemplate buying a home because they...they see what is...what is being put out there as what is affordable and what these people are supposed to be able to go to the bank and get...get a mortgage for. So, you know, we really need to just stay focused on the needs of our people and look (*audio interference*) a single mom can go and...and get a mortgage for. Because that's what we're...that's what we're trying to do here. We're trying to get actually attainable prices so that our people can actually get...get into these homes. Like look at the Maui County Data Book, those...those top ten jobs that people have, that's the people that we need to get houses for. We have been focused on the needs of developers for so...for so many years, and right now, you can see the issue that we have because we're looking at the wrong thing. The focus is on the wrong thing. So, please, let's put the

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focus where it needs to be--on the needs of our residents, the needs of our struggling people, and we have to get real about what people can afford, I guess...I guess, you know. So, please, just let's all work together and really stay focused on the needs of our people and getting them a home that they can actually qualify for and get into. Thank you.

CHAIR JOHNSON: Thank you, Ms. Nishiki. Members, do we have any questions for our testifier? Seeing none. I do...I...you mentioned the Maui Data Book, and I...I know that chart you're talking about. Our number one jobs are in the service industry, and the second job is retail industry. Those jobs are...don't pay the money that...that these...these numbers are telling us we...we should be able to afford. So, thank you for that, Ms. Nishiki. Thank you for your testimony.

MS. NISHIKI: Yeah.

CHAIR JOHNSON: Okay.

MS. NISHIKI: Absolutely. If...if you look at those occupations and...and what those dollar amounts are, that's what we need to be focused on, that's how much our people are actually making. And the housing, there's a huge discrepancy on...on what they can actually go in a bank and...and actually qualify for. So, thank you very much.

CHAIR JOHNSON: Thank you. Thank you for your testimony. Okay. Ms. Stewart, will you call the next testifier please?

MS. STEWART: Chair, there are no additional names on the list.

CHAIR JOHNSON: Okay. So, this will be the last call for any testifiers. If you wish to testify, please unmute your audio and/or video and identify yourself. Seeing there are no individuals wishing to testify, without objection, I will now close oral testimony.

COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR JOHNSON: Okay. Committee Members, are there any objections to receiving written testimony into the records?

COUNCILMEMBERS VOICED NO OBJECTIONS

. . . END PUBLIC TESTIMONY . . .

CHAIR JOHNSON: Okay. All right. Great.

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ITEM AH-14(6): COMPREHENSIVE AFFORDABLE HOUSING PLAN:
AFFORDABLE SALES PRICE GUIDELINES (BILL 107
(2022))

CHAIR JOHNSON: Let's start with our one and only item today, Members. It is AH-14(6), Affordable Sales Price Guidelines. So, Members, we last took this item up on May 23rd, 2022, Affordable Housing Committee meeting, and we received presentations from representatives from the Hawai'i [sic] Community Assets, Maui Financial Opportunity Center, Homebridge Financial Services, and Rural Community Assistance Corporation. We discussed many factors that go into buying a home and different approaches to increase affordability for our residents. Based on the presentations we received, our discussion, and the recommendations in the Comprehensive Affordable Housing Plan, I'm proposing Bill 107 (2022) and a copy which can be found in Granicus. However, before we discuss this proposed bill, we will receive a presentation from the Department of Housing and Human Concerns regarding their models for affordable sales price guidelines. So, I'd like to recognize Deputy Director Linda Munsell, and if you're ready to share screen and present your presentation. Aloha.

MS. MUNSELL: Thank...thank you, Chair. Good afternoon, Committee Members. As mentioned, my name is Linda Munsell, I'm the Deputy Director for the Department of Housing and Human Concerns, and we really do appreciate the opportunity to be here today and talk about the affordable sales price guidelines with you. So, there's a couple of items. You know, Mister...or Councilmember Johnson, Chair Johnson has mentioned that Bill 107 is the main topic of conversation here. So, I'll let him, you know, guide that discussion. But I do want to share with you some of the research that the Department has done since the Affordable Housing Committee met on...first met on this topic back in November. And then based on that research, we also want to share a policy decision that we've come to, pending, of course, the outcome of this discussion today. First, I...I want to start by apologizing. After the meeting in May where this item was discussed, I was actually chastised by one of my colleagues, and also by one of the mortgage professionals that we'd been working with for misspeaking. At the last meeting, I said that under our current affordable sales price guidelines, households earning at the low end of each price range wouldn't be able to qualify for a mortgage...and apparently, that is not true. Both of these professionals, who have a great deal more experience with mortgages than I do, both told me that it's impossible to generalize that way. I was informed that there is a product out there for everyone, and for every circumstance. It's a matter of preparation. And each individual application is different. We cannot say across the board that these households cannot qualify. So, I...I apologize for misspeaking on that...on that area. The question is whether, of course, we want them to spend that kind of money for their housing costs. So, that's...that's a second thing. So, do you mind if I share my screen, Chair?

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CHAIR JOHNSON: Please do.

MS. MUNSELL: I just have a few slides. Can you...can you see that?

CHAIR JOHNSON: Yes, we can see it.

MS. MUNSELL: Okay. Perfect. Okay. Okay. So, apology aside, the Department has finally finished its review of our affordable sales price guidelines, and we've shared our findings with the Mayor. You've seen this slide, or a very similar one, several times, and it was presented to the Affordable Housing Committee at our November 29th meeting. These are the current Maui sales price guidelines, and those guidelines are based on the following criteria. First, the guideline assumes that they're getting a 30-year, fixed-rate mortgage loan, they're going to use 30 percent of their gross monthly income for principal and interest payments only, and it also assumes a 5 percent down payment. The maximum prices are going to be adjusted up or down, depending on the individual's income and on the prevailing interest rate at the time the marketing plan for the project is approved. We also showed you this slide last November, and this was one of the models that we ran internally using the 2021 area median income, and of course, a very long gone 4 percent interest rate. The details on this slide aren't particularly important, but what we were trying to identify when we were doing these models was the financial impact our price guidelines had on our workforce buyers. Using our estimates of total final housing costs, we determined that with the 30 percent principal and interest criteria, the end result final housing cost was just over 32,000...or 32 percent of annual income after you added taxes and insurance. In our models we didn't include HOA or private mortgage insurance or any of those things. Since that initial meeting, the Department has been in consultation with some mortgage brokers and bankers to make sure that we really do understand the mortgage process better, and that we also understand the true impact the sale prices guidelines have on our workforce buyers. So, we sent our current affordable sales price guidelines out to five local mortgage brokers for evaluation, and we received feedback from four of them. The four folks that we heard back from was American Savings Bank, First Hawaiian Mortgage, loanDepot, and Northpointe Bank. And of course, a number of other folks have also run models on our affordable sale price guidelines, including HCA. And not surprisingly, all of the responses that we received, including HCA, are very consistent. The first thing that we learned was that there's a big difference between qualifying for a loan and what a household may actually pay in housing costs after the loan closes. In all of our previous modeling, the Department has been simulating final housing costs after closing, which is typically lower. In contrast, the mortgage qualification criteria takes a very conservative view of the cost of a mortgage, which is higher. For example, although we didn't...although we included HOA in our multifamily models, we didn't include it in our single-family modeling. And a mortgage broker would not only include HOA in their

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model, but they would also use a slightly higher estimate than what the potential HOA fees might be. A mortgage broker or a banker would also calculate...might also calculate sales...or property taxes differently, and may not take into the homeowner exemption in the process for qualifying somebody for a mortgage. So, the end result was...in all of this, the end result was that instead of 32 percent of household income, the household would actually be trying to qualify for a loan with 36 percent of their income under the current sales price guidelines. This is really consistent across all of the folks that reviewed it, also consistent with HCA's findings, but what differed in our review and the feedback we received from our mortgage brokers and bankers was that...and what's included in the Comprehensive Affordable Housing Plan is that what we learned from our independent mortgage brokers and bankers is that 36 percent is a very reasonable frontend percentage for loan qualification, okay. Great, right? Done. Well, not...not really. The other thing that we learned from our mortgage partners is that we found that the guidelines had a very different effect on buyers depending on where you are in the income range. What we found in this analysis was that some buyers would need as much as 50 percent of their income for upfront housing costs, which would require some pretty interesting maneuvering in order to actually qualify for a mortgage. So, when we eventually do start talking about a deferred mortgage payment program, or trying to buy down the interest rate as Mr. Carnicelli said in his testimony earlier, these are the folks who would potentially benefit from that kind of assistance. And I want to separate that from how we set our prices, so...let's see. So...okay. So, as I was reminded earlier, although there's a loan product available for every situation, using the typical criteria mortgage professionals use to qualify a buyer, the workforce sales prices currently set in our guidelines could make it challenging for some of our workforce to qualify for a broad range of mortgage products...not just one or two products, but a broad range of products. It's this conservative criteria for qualifying then that the Department needed to keep in mind when we establish our final affordable sales price, not just the likely housing cost after closing, which we think would be lower. So, that said, the Department started running models using the data from our...our mortgage professionals, beginning with our 30 percent model and ending with the recommendations in the Comprehensive Affordable Housing Plan. And what we found was that a model using 28 percent of annual income for principal and interest appeared to generally solve the qualification and affordability problem for households who are prepared to be homebuyers. And this model is consistent with other housing agencies across the State. So, this is also a slide we showed last fall, and this is where we compared the Maui County sales price criteria against the sales price criteria of other housing agencies in the State. You'll see here that on this slide Hawai'i County, HHFDC, and Kaua'i County all use a standard of 28 percent of annual income for principal and interest payments compared to Maui County's 30 percent. You'll also see that Honolulu uses a 33 percent for principal, interest, taxes, and insurance plus HOA, which is slightly different from the others, but is still significantly different than the proposal in Bill 107. Oops. Certainly the

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Department's proposal is not a large...as large of a change as the proposal in Bill 107 before you today, but we believe that the Department's proposal takes a conservative, thoughtful approach which is consistent with other housing agencies throughout the State, and it improves the affordability for our workforce buyers. This proposal, and then a sample of the affordable sales price guidelines showing the...the...the prices based on 28 percent principal and interest was transmitted to Committee last week, and is now posted on Granicus. I'm not going to throw it up on the screen at this point. We're proposing that this change would go into effect when the new guidelines are published following the release of the 2023 HUD median income for Maui County in April or May of next year. And we're also proposing this as an administrative change that would take place without the need to amend the current...current ordinance. I'm going to stop sharing.

CHAIR JOHNSON: Okay.

MS. MUNSELL: Okay. And I just have a few closing comments, if you would indulge me for...for just a minute.

CHAIR JOHNSON: Sure.

MS. MUNSELL: So, keep in mind, the affordability discussions as mentioned by Ms. Nishiki, I mean this is all about the buyer, and the affordability is completely separate from any discussion about whether the developer can actually afford to build a unit at the price that's been determined in the affordable sales price guidelines. You've heard testimony about that from a number of people, and we've got some resources, you know, available to us so we can discuss this further. So, please just do keep that testimony in mind. The proposal that the Department has recommended will result in about a 6.7 percent decrease in prices. As others have mentioned already, the proposal in Bill 107 will result in a decrease in sales price of almost 22 percent, which is significantly more. Either change is going to be painful, especially with the increase in construction costs and the interest rates that we're currently experiencing. As a County, we need to very carefully consider the impact our decisions will have, not only on our workforce buyers who are critically important to us, but also on our partner developers. The cost of providing workforce housing at lower prices has to be made up in some fashion, whether it's through increasing the price of the market units, assuming that the market will bear such costs, or through a subsidy. You've had a lot...I know you guys have got a lot to discuss today, but I just want to leave you with two...a couple of last thoughts. I know that there seems to be very little support in Council for developers who produce market homes; however, these projects...and somehow all these projects are looked at as a lower priority than our workforce or affordable projects.

CHAIR JOHNSON: Okay. Linda...

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MS. MUNSELL: I hear that...I hear that very frequently.

CHAIR JOHNSON: Deputy Director, I...I want to move on because...and we'll come back to more of what you're going to talk about, but I want to move on --

MS. MUNSELL: Well...

CHAIR JOHNSON: -- from your presentation. You can summarize, go ahead, but I want to move on.

MS. MUNSELL: Okay. Thanks. I just...I'm almost finished. So, I just want to remind you that the 2019 Hawai'i Housing Planning Study indicated that we needed something like 10,000 homes between 2019 and 2025; 50...or nearly 50 percent of those need to be market homes. And those buyers, if they're not built, those buyers aren't going to go away, they're going to buy the houses that would typically be sold to our upper-income professionals, and those people are going to leave if they can't find someplace to live.

CHAIR JOHNSON: Okay.

MS. MUNSELL: Second...second, over the last three years, since 2019, fully 70 percent of the units constructed required subsidy, and certainly that makes sense, but 50--especially if it's a rental project--but 50 percent of our for-sale units also required subsidy, either in the form of an Affordable Housing Fund assistance directly or through the 201H or 2.97 process. And this subsidy was necessary before any discussion of the affordable sale prices guidelines.

CHAIR JOHNSON: All right. Thank you.

MS. MUNSELL: So, I just wanted to share that with you.

CHAIR JOHNSON: I...I appreciate that. Again, I know this is a very complex topic, I want to kind of stay laser focused on what our discussion is today, which is affordable housing price guidelines. So, thank you, Deputy Director Linda Munsell, for your...your presentation. So, next I'm going to discuss the proposed Bill 107 entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 2.96, MAUI COUNTY CODE, RELATING TO AFFORDABLE HOUSING SALES PRICE GUIDELINES." And at this time, I'd like to substitute the posted bill for the proposed...for the proposed bill attached to the amendment summary form that was uploaded to Granicus. This proposed bill provided more specification on how calculations for sales prices are to be made. This language will bring the County's calculations on what is affordable to a buyer in each income bracket in line with the kind of Federal mortgage programs used by many first-time homebuyers. In short, we are streamlining our sales price guidelines with the lenders'

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requirements. That's really important that we're missing this part of this discussion so far, it's about the lenders and the buyers at this point. It also includes language to ensure legislation requires the Department to formulate calculations based on income ranges as opposed to individual households. So, Members, please see the ASF that was uploaded to Granicus for further explanation. So, we're just going to do a substitution right now with that. So, the Chair will now entertain a motion to recommend passage of the substitute bill on first reading.

COUNCILMEMBER LEE: Is that number 18?

CHAIR JOHNSON: That would be--if I'm checking that correctly, let me refresh--it should be number 18 on Granicus. I can't...

COUNCILMEMBER PALTIN: So move, Chair.

CHAIR JOHNSON: Yikes. Okay. Thank you. Yes, it is number 18. Thank you for that. Moved by Councilmember --

UNIDENTIFIED SPEAKER: Second for discussion.

CHAIR JOHNSON: -- Paltin, seconded by Councilmember Sinenci [sic]...or, I'm sorry, I got Sinenci down there. So...all right. So, let me just...it was...thank you for clarifying that for me, Chair Lee. It is number 18 in your Granicus. So, let me just do a little bit of discussion here. And we just changed the word...the...you know, based off of what the Department wanted to talk about and based on what the Corporation Counsel Mimi DesJardins spoke with us, we just edited...it still has the intent, it's just some of the wording was different. So, we all heard from the presenters last Committee meeting that explained to us how Maui County factors affordable sales price guidelines is different from many mortgage programs, and how that affects a buyer's ability to qualify for a mortgage. We have the power to change that, to make it conform to mainstream mortgage standards, giving our local families an increased ability to use Federal mortgage programs that allow for homeownership with low and no down payment requirements. By simply changing the formula we use based on Federal program standards, we can make affordable homeownership accessible to more people. I want to say this again, 72 percent of our local folks are getting denied their...their...their loans. Any attempt to bring home costs down will expectedly be met with arguments that developers can't build homes for those prices, and that is why it is so important we pass new legislation on the expanded use of the Affordable Housing Fund and money for the crucial deferred mortgage payments before we change price guidelines. As you all know, we've increased the amount of the fund, and I want to commend you on all of your incredible work over the last two years raising RPT and building out an Affordable Housing Fund large enough that we can subsidize the development of more homes. The entire

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premise of the Comprehensive Affordable Housing Plan is that we need to create homes that our workforce can...can actually afford, and support our developers by subsidizing infrastructure and building in ways that make building affordable homes possible. So, for this discussion and for the sake of our workforce, today's conversation is not about what developers need to house [sic] a price [sic] at. That can no longer be our starting...starting point, Members. Today, the conversation is focused on the homebuyer. We have to get real about what our workforce can afford so we can actually attempt to solve the housing problem. Today's conversation is about pricing homes in ways that allow buyers to access the kind of loans they need, making affordable homes accessible to more of our working families. This proposal is...is a policy recommendation in number 8 of the Comprehensive Affordable Housing Plan, and if you want to look it on the CAHP, it's on page 30. On page 30 in the plan, in policy recommendation number 8, it explains that the County imposes sales price guidelines that do not conform to mainstream mortgage programs. The current Maui County sales price guidelines limits homebuyers' monthly payment and principal interests to 30 percent of their gross and month income, and do not account...again, they do not account for typical monthly mortgage costs, including taxes, insurance, mortgage insurance, and homeowner association fees. Those home...HOA fees, we all know, are getting bigger and bigger, right? Maui doesn't include many things that Federal mortgage programs do, such as taxes, insurance, PMI, and HOA fees. So, now, Members, we'll have the chance to discuss these. And remember, we have plenty of resource folks. So, I propose a round of three minutes per Member for further discussion and questions you may have for our Department of Housing and Human Concerns, Corporation Counsel, our OCS Staff, our...our...as well as our resource folks. And if we need to do multiple rounds, we can do that. So, I have...I see your hand, Chair Lee, I'm just going to go down in order, but unless you want to ask about anything else, we're just going to go in order, if that's all right?

COUNCILMEMBER LEE: That's fine. Thank you.

CHAIR JOHNSON: Okay. So, let's start with Committee Vice-Chair Councilmember Molina, followed by Councilmember Kelly Takaya King.

VICE-CHAIR MOLINA: Yeah, thank you very much, Mr. Chair. Do we have a lender that could kind of share their perspective on this?

CHAIR JOHNSON: Was that...let me see.

VICE-CHAIR MOLINA: No lender on...on the call today? Just curious.

CHAIR JOHNSON: Wasn't somebody from Hawai'i Community Lending in...no, no, no. Okay.

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VICE-CHAIR MOLINA: Okay. Well, that's all right, Mr. Chair. Maybe we can get some added input from Corporation Counsel. Would that be Miss --

CHAIR JOHNSON: Sure.

VICE-CHAIR MOLINA: -- DesJardins about the revised bill and their thoughts? Because I know we've heard the perspectives of the developers, and of course, Housing and Human Concerns. Ms. DesJardins, any...you guys are okay with signing off on the legality of this bill?

MS. DESJARDINS: Good afternoon. Thank...thanks for the question. Yeah, I really see this as a...you know, you folks are going to have to muddle through the difficult process of really understanding the sales price guidelines. But as far as legality, the legislative body certainly has the authority to set those guidelines. And I have had a chance to look at the amendment summary form that's up now, and I don't see anything in there that would cause me not to sign off as to form and legality.

VICE-CHAIR MOLINA: Okay. Thank you. Thank you, Chair.

CHAIR JOHNSON: Thank you. Mariah...let me just clarify something. Mariah, are you from HC&F [sic], isn't that correct? Do you guys do lending?

MS. ESPANIOLA: Aloha. Hawai'i Community Lending is our sister company, I'm Hawaiian Community Assets.

CHAIR JOHNSON: Got you, got you. Okay. Thank you so much. All right. Any further questions, Councilmember Molina?

VICE-CHAIR MOLINA: Not at this time, Chair. Thank you.

CHAIR JOHNSON: Okay. Thank you. All right. Let's move on to Councilmember Kelly King, followed by Chair Lee.

COUNCILMEMBER KING: Thank you, Chair. And I guess Mariah--is it Mariah or Maria--Mariah. Are you the one who has taken Jeff Gilbreath's place?

MS. ESPANIOLA: No. I'm just a Lead Community Services Specialist, so I'm currently the only financial . . .(inaudible). . . counseling here.

COUNCILMEMBER KING: Okay. Do we have...Chair, do we have Mr. Gilbreath here?

MS. ESPANIOLA: I was just (audio interference) him.

CHAIR JOHNSON: Unfortunately he couldn't make it today.

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COUNCILMEMBER KING: Oh, okay.

CHAIR JOHNSON: I called him before this meeting, he couldn't make it.

COUNCILMEMBER KING: Okay. So, I...I was just going to ask, and I don't know if...if Mariah can give us this, just, you know, to give us an example of how this might change somebody in this...in the very low and below-moderate income levels to be able to afford, you know, what...just because I know what end result we're trying to get, we're trying to get lower income folks to be able to afford. So, can you just kind of give us an example of how this...this is going to change...give more opportunities to that income bracket?

MS. ESPANIOLA: This will actually be a great opportunity. Currently at the moment, I have over 400 clients, majority of them follow...fall into the low-income brackets. And it's discerning [*sic*] to know that majority of the time lenders do push them aside; however, throughout the process, these clients need to understand that with their perseverance, their discipline to achieve these goals, it's not impossible. I just had a recent client who is on Social Security, had the County down payment assistance, and actually had just closed on a condo in Harbor Lights, I believe. So, it's not impossible. I do hope that plans do change to support clients. I myself am a prospective homebuyer, and it's negative to see every day when I spend my day looking at homes, and it's never affordable. (*Audio interference*)

COUNCILMEMBER KING: Do you have...yeah, sorry, just to try to get the...to the answers I'm looking for. So, do you have an idea in your head, if we pass this...this proposed ordinance, what percentage increase you might have of your clients that would qualify and be able to actually buy a home? How many...

MS. ESPANIOLA: I would say, off the top off my head, about 45 percent of our clients will be able to (*audio interference*)

COUNCILMEMBER KING: Okay. That's great. That's a great number. Chair, do I have time? I wanted to ask Ms. Munsell one more question.

CHAIR JOHNSON: Certainly.

COUNCILMEMBER KING: Okay. Linda, are you still there? Hi. Thank you for your presentation, I appreciate it. You know, when you said that we...you talked about the...the study we did that showed we needed 10,000 more homes, I think that was in 2019. Where are we today with...with all the projects we have approved? Do you have a figure of how many we have to go to get to that 10,000 number?

MS. MUNSELL: Yeah, we have...we have a lot to get to that 10,000 number to go. So, it looks like the last three years or so, we've constructed about 1,250 units. We've got another 950 under construction now.

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COUNCILMEMBER KING: And that includes rentals?

MS. MUNSELL: Yes, that includes everything. Everything, right?

COUNCILMEMBER KING: Okay.

MS. MUNSELL: Let's see, but a lot of those are affordable or workforce. Not...not very many of those are actually the market units that we're...we're talking about. I don't have that number immediately.

COUNCILMEMBER KING: Okay.

MS. MUNSELL: We've also got...we also have a lot of other projects that are potentially on the, you know, books that could...could move forward. I mean we've got about 5,400 more units that have got some kind of barrier that needs to be overcome, whether it's infrastructure or something like that. And of those 5,400, I expect maybe 1,500, based on our experience with what's been constructed and what's under construction now, will actually roll forward in the next three to five years. That's it. So, we really need --

COUNCILMEMBER KING: Okay.

MS. MUNSELL: -- to solve this subsidy problem, figure it out.

COUNCILMEMBER KING: Okay. So, I...I just added up about 3,700 that you expect that we have on the books already. And you don't know what percentage of those are market and what percentage are affordable or workforce, but...but the 10,000 is the total number, correct? It wasn't just 10,000 affordable, it was 10,000 units total that we need?

MS. MUNSELL: 10,404, I think, but...and about 46 percent of those needed to be market units.

COUNCILMEMBER KING: 46 percent. Okay.

MS. MUNSELL: 46 (*audio interference*)

COUNCILMEMBER KING: Okay. Sorry (*audio interference*) Okay. I'm sorry, Chair, I went over my time. Thank you.

CHAIR JOHNSON: Yeah. Okay. Thanks. Let's move on to Chair Lee, followed by Councilmember Paltin.

COUNCILMEMBER LEE: Okay. Deputy Director Munsell, I...I'm looking at the sales

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guidelines right now. If this ordinance passed, in the very-low category at 5.6 percent interest for a three-bedroom house, it has to sell at \$231,000 in order for this very-low person to qualify. How would this...this ordinance help that person?

MS. MUNSELL: So, under our current guidelines, you said which percent...which percentage?

COUNCILMEMBER LEE: Very low --

MS. MUNSELL: Okay.

COUNCILMEMBER LEE: -- 5.6 percent interest, three-bedroom home would have to be priced at \$231,100.

MS. MUNSELL: Right. So, the...under the proposal now before you, it would be 22 percent less than that.

COUNCILMEMBER LEE: So, the actual sales price will be 22 percent less than 231,000?

MS. MUNSELL: That's correct.

COUNCILMEMBER LEE: Okay. Now, my question is for Mr. Bigley, Doug.

MR. BIGLEY: Yes, still here.

COUNCILMEMBER LEE: Okay. Mr. Bigley, you have been one of the housing heroes in the last several years for us.

MR. BIGLEY: Right.

COUNCILMEMBER LEE: Tell me, what do you think of the proposed...proposed ordinance? Is it...is it doable, is it realistic? Is it realistic? I'm sure it's doable, maybe one and...you know, 100 people, but is it realistic in general?

MR. BIGLEY: I'm going to echo something that you said a little bit earlier about how much...when you start reaching really low to the low, low income for like homeownership, the one problem you run into is the amount of subsidy per unit, right? Because that is going to...because someone...it was Kai that brought up the focus on the...you know, the individual person, and it's just trying to figure out how to get that home built, and whether you'll have enough subsidy to really do it. You'll have a home...maybe a qualified buyer at that rate, but it might cost you...you know, if...if you're talking about putting homes in it, you know. And the other gentleman that was on here that spoke about it could probably give you

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a price of how much it cost to build his single-family homes. So, you can kind of say if I'm selling a house for 100 and whatever that is, maybe 180,000, 190,000 versus the cost of what it took him to build it. Let's just say you exclude the price of the land, if he took his land out of there, then how much he's ever building that for today. Let's say...let's say the home is 500 and, I don't know, 50,000 or \$600,000. So, you know, you subtract that out of there, you've got a \$300,000 subsidy per home. So, the...and...and somebody echoed it . . . *(timer sounds)*. . . a little bit earlier. I'm sorry, I think it was Kelly maybe, but whoever said that the offsets, whether you provide additional densities or somehow provide offsets to the builders so that they can...they can cover that gap. Because if you burn through your affordable housing funds, at that rate, it's pretty...pretty...pretty fast, right?

COUNCILMEMBER LEE: Thank you. Thank you very much.

MR. BIGLEY: You're welcome. Yeah.

CHAIR JOHNSON: Right. And remember, there are many ways, such as deferred mortgage payment, that will help buy down that in addition too. So, we didn't put that deferred mortgage payment into the Affordable Housing Fund, we use that as a grant. So, there's other mechanisms that will help buy that down. All right. Let's see. Let's move on to...after Chair Lee we had Councilmember Paltin, followed by Councilmember Sinenci.

COUNCILMEMBER PALTIN: Thank you, Chair. I was wondering if any of the developers could answer, if we cap the profit margin for affordable homes at a percentage and then, you know, made up the difference between where we're at and where we're trying to get to with subsidy. Like what...just, you know, throwing it out there, what ramifications do they see, as developers, like say, with a 10 percent profit or a 15 percent profit? Mr. Bigley, Mr. Cheng, or Mister...

MR. CHENG: Yeah. Chair, may I speak? This is Paul.

CHAIR JOHNSON: Certainly. Go ahead, Mr. Cheng.

MR. CHENG: Yes. Okay. So, Ms. Lee is exactly correct, and Mr. Johnson as well, and of course Ms. Paltin. We have two conversations going on. One is supply, one is demand, right? So, it is not my purview whatsoever to discuss the pricing guidelines because that's completely the Council's purview. Increasing the affordability does a wonderful thing for a community that's in desperate need for housing. As to supply, we're just producer of housing. We're...we're just, you know, if you needed peaches, I make peaches. So, you know, can I make peaches and have employees and pay for the can and so forth. So, yes, 10 percent is...is, in my opinion, adequate to do so. And I think to address the 200,000 versus, you know, a 500,000 issue, that's a very relevant issue. I would say that maybe

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because we have so much backlog of people desperate for housing, you have to think about, you know, maybe the ones with just below the affordable, maybe you know, they can do low income but not very low income, and maybe the subsidy is 150,000 instead of 300,000. And then satisfy those couple of thousand people first or...or however it works. That's probably okay, along with the buydown idea, this and that. There are many ways, many communities that I've worked with in the mainland. For example, in...in...in many cities in Texas, the housing department buys the land and the infrastructure from the developer. So, that's taken care of. That's a big chunk of the cost, right? And then the developer can make their profit and pay for the vertical, the lumber, the roof, the...the appliances, and finish the home, and then sell it at this new affordable price to...to the...you know, to the people that desperately need the housing. So, I think all the opposition from the developers is just they're worried, very worried that one happens without the other. And I think you...you absolutely have stated very, very clearly that no, that's not what you want, you . . . *(timer sounds)*. . . want to have both things done. Of course, of course, right? So, what's the point of talking about one without the other? There's no point at all. So, I support this. If you give us a chance, I'm sure, you know, maybe we can form some kind of working committee with...with somebody that knows how to do this legally. Because I think the developers are petrified or scared that yeah, the housing fund, but how do you distribute it, how do you make it work? There are many ways to make it work. My God, this is not a unique problem.

MR. BIGLEY: Paul...Paul...

MR. CHENG: *(audio interference)*

CHAIR JOHNSON: Okay. Hold...hold on.

MR. BIGLEY: *(audio interference)* one thing, and that is just that --

CHAIR JOHNSON: Go ahead, Mr. Bigley.

MR. BIGLEY: -- it is a...and...and I think, Gabe, this will hit where you're coming at, and I think it...it'll...it's kind of getting to the root of where Paul is, is simply this. The legislation that you're proposing today, if you want to get people into housing, you need to do something, right, because we're...we've done a project for Hawaiian Home Lands. Just recently we opened it up, and it is a tough row. When you get into those lower incomes, if you don't take care of...homeownership is a burden.

MR. CHENG: Yes.

MR. BIGLEY: And if you don't take care of those costs that you're talking about and kind of building it in. So, I would agree with Paul on that, is that the...the price

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of the house is...is not achievable. I mean at...at the...at the...especially the low ends. And I'll just be...one more thing. Is that if I have a...if...if I have \$100 and I...and my...and the cost...my living costs are \$100, I have...you know, this idea of 30 percent being your target doesn't work on the low end. It breaks down very quickly. It's not linear, it's a curve. So, if you're at the very low end of the market, you don't have even 30 percent. So, you guys are trying to solve that demand side, right, and I would agree with your approach on that. I do think that there's two sides to this. I think that was...Paul was getting at --

CHAIR JOHNSON: Yeah.

MR. BIGLEY: -- but it will...like if you just assume for a minute what the cost of what you're doing is for...on the development side to keep everything equal, so now you're thinking about how to pay for it, it's 22 percent.

CHAIR JOHNSON: Yeah.

MR. BIGLEY: It's 22 percent of where you were today to say if I wanted to build all of those things at this level, and decrease the price from...what I have done to the market, it's 22 percent different in cost, and how do I make that difference up today. But anyway --

CHAIR JOHNSON: Okay.

MR. BIGLEY: -- two different (*audio interference*)

CHAIR JOHNSON: Mr. Bigley, let me move on. I think Councilmember Paltin's question was answered. I want to remind the Committee that Kahoma Village got subsidized 200,000 per unit in...in their...in their subsidies...200 out of the Affordable Housing Fund. So, was it worth it? We do...it's a common practice that we do, right, in this County. We have done...we have subsidized massive, and sometimes we're...it's not really the best projects we're subsidizing. And either way, I'm just giving you an example, 200 grand per unit was subsidized for Kahoma Village out of the Affordable Housing Fund. Okay. Let's move on to Councilmember Sinenci, followed by Councilmember Sugimura.

COUNCILMEMBER SINENCI: (*Audio interference*) Chair. I don't know if my calculations were on point. I did...I mean if we have about 56 million in our Affordable Housing Fund, we subsidized 200,000, we would be only able to subsidize 280 units. And if...and if we subsidized each unit at 100,000, we'd only be able to subsidize 560 units. I mean just to put it in perspective. But my...my question for you, Chair, a clarification of the...that's proposed today, the 31 percent. That's including your monthly mortgage payment; is that correct?

CHAIR JOHNSON: Yes. And I --

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COUNCILMEMBER SINENCI: Okay.

CHAIR JOHNSON: -- I want to address that because it's a very valid point you mentioned. But don't you remember Bill 61 with the bonds, that we allowed bonds to...the Affordable Housing Fund can pay off big bonds, right? That was...and we voted unanimously in this Committee to support that idea. So, when we look at that 58 million, please don't just think that that's all we have, right?

COUNCILMEMBER SINENCI: Oh, yeah. Well --

CHAIR JOHNSON: We have --

COUNCILMEMBER SINENCI: -- I mean...

CHAIR JOHNSON: -- this big purchasing power through bonds that we would pay off with the Affordable Housing Fund principal and interest.

COUNCILMEMBER SINENCI: Right. I think that premise was just to say that hey, we've got to...we've got to make it work. If, you know, we can't do that, we're going to have to use other options, alternatives to that. Thank you, Chair.

CHAIR JOHNSON: Exactly. Yeah. We'll...we...like we would burn through that, and that's why we did...with Bill 61 with the bonds before we did this, right? So, there is a path. All right. So, Councilmember Sinenci, any more questions? Are you...okay. Then let's move on to Councilmember Sugimura.

COUNCILMEMBER SUGIMURA: Thank you. I would like to hear from Lawrence Carnicelli in this discussion, what is his opinion. Because he has a project, right, right close...I mean it...before us. Will this affect him and his project? But I...I want to first hear what he has to say about this proposed new ASF.

CHAIR JOHNSON: Okay. So, the...you want to ask him on the proposed ASF? So, that's your first question? Okay. Mr. Carnicelli?

MR. CARNICELLI: Thank you, Chair. And thank you, Member Sugimura. To...to look at the new bill here that's up here on Granicus, the...the biggest thing that jumps out on me...jump out at me is section 4, this ordinance will take effect on approval. So, if you look at what Paul is saying, what Doug is saying, it's like these guys are creative, right, they...they do it in a lot of different jurisdictions, and what they're saying is listen, we got to make up the difference. And there's a lot of really creative ways of doing this, we got bonds, we got Bill 61, we got the Affordable Housing Fund. But without that, this isn't...the cart's in front of the horse, right? So, that's...and then also, I just go to okay, it includes principal,

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interest, taxes, insurance, private mortgage insurance. I mean how are we even...what is...what if PMI doesn't apply? You know, what...what is...what's insurance going to be and not? So, there's some moving pieces to it. But the bigger piece to this, Councilmember Sugimura, is it takes effect on approval. I would say until we get how that gap's going to be made up and however creative we can get, until that piece is in place, then I think that...that this should...should hold. Because yes, Ms. Nishiki was right, this is about the homebuyers, but the price of building no homes...like if we build zero homes, the price is free, right? The price of...you know, the house that's not built is free. So, we also need to build the house, but we need it affordable, right? And we need these people to be able to afford it. So, I get what it's trying to do, but let's do it together, and let's have the whole thing work in...in unison rather than saying okay, boom, we just change it tomorrow. Because we've got a couple of affordable housing projects that literally might be DOA if this passes.

CHAIR JOHNSON: Okay. So, I'll...I'll follow up that question, Mr. Carnicelli, if you don't mind staying on. Would you be amendable if we said this ordinance takes effect May 23rd, 2023? That's usually when we issue...we publish our affordable housing guidelines.

MR. CARNICELLI: It makes more sense to say okay, it...it takes effect upon the new guidelines. But again, Chair, I...I'll...you know, I'm trying to be...I'm being a little bit more direct than Paul and...and Doug were in saying but where are we making up the gap, right? Like is...is...we...we developers talk all the time about certainty, right? And if there's not certainty out there, if it's just like oh, okay, well, there's money --

CHAIR JOHNSON: I hear you.

MR. CARNICELLI: -- in a big pot...

CHAIR JOHNSON: I got you. You answered my question. I think...thanks so much. We'll probably ask the Members if that's something that they would be interested in, amending the bill to make it take effect next year, May 23rd, 2023. It's up to the body. But right now we did one round. We're going to take our 15-minute break, get refreshed, and then come back in, and we can do more...another round of discussion. So, it is 3:02, we'll take a 15-minute break until 3:15. The Affordable Housing Committee is in recess until 3:15. . . .(gavel). . .

RECESS: 3:02 p.m.

RECONVENE: 3:19 p.m.

CHAIR JOHNSON: . . .(gavel). . . Will the Affordable Housing Committee of 3...of 6/30/2022 come...come back into our short recess. And I...I hope everybody's

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refreshed and ready to go and continue with this discussion. You know, the last...right before we took a break, I...we, you know, we heard from Mr. Carnicelli the idea of section 4, that this ordinance takes effect upon approval. I kind of wanted to ask some other developers, maybe Mr. Cheng, if you'd like to speak on that. What's your take on the idea of having this take effect immediately, or would next year when we...when we publish our affordable housing price guidelines? Mr. Cheng?

MR. CHENG: Yes, Chair, thank you. Obviously if we have the perfect world, we would love to have it tied to the funding mechanism having worked out on the deal. I think that we all understand, and perhaps you can make it clear that hey, there's a Bill 61 and beyond coming, and that's meant for the...as a parcel...a part of the whole package. You know, you...I mean the Committee's word is honorable, and...and that should be fine. I think that Corp. Counsel should...should be asked, and perhaps maybe Ms. Munsell from the Housing Department, has she looked into whether any of this gap funding is legal and...and how they should go about doing that so that, you know, everyone is at peace that it can be done. If...if I can have just a minute to talk about how much this funding can...can bring, and how it could really substantially help the gap that we have. You...you talked about bonds. I know a lot about bonds, I've done a lot of bonds, and one of my best friend is a top lawyer in Texas that does most of these housing bonds in the...in...for the whole state. And he's...he's a...you know, my...one of my best friends. So, basically, for the Committee, it's very simple. For every million dollars' worth of reliable funding that, let's say, County Finance Department can ascertain from the various sources that this fund...you know, the Affordable Housing Fund gets funded each year, for every million you can sell \$10 million worth of bonds with super AAA credit. So, that means, let's say, you have \$10 million a year that this fund gets, okay. So if you have \$10 million a...forget about the 56, don't worry about the 56 for a minute, just step away from that. So, if you have 10 million a year that the County Treasurer or Finance Department can certify to...to the Committee that yes, because the hotel tax, because of property tax, because of this, because of the buckets, we can get 10 million for sure every year for the next 30 years, you can immediately sell ten times that amount in bonds. That means you can get \$100 million in cash immediately to do whatever you need to do with it, and that's a substantial number. If you have 30 million a year, which I don't know what the County Treasurer is going to say, you can sell 300 million in bonds immediately. And at \$300 million in bonds, if you did sell that, at 200,000 each, you've just got enough money to fund 1,500 homes, which is more than you can even handle because you couldn't do that many permits, as we all know how difficult it is. So, if you sold 100 million in bonds, you can do 500 homes right away, more than you have in the entire pipe basically. So, yes, it's very feasible. So...

CHAIR JOHNSON: Thank you. Thank you, Mr. Cheng.

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MR. CHENG: Yeah.

CHAIR JOHNSON: I...I appreciate that. You know, selling bonds isn't...you know, I just got back from the Affordable Housing Conference in Helsinki, and that's exactly how they do it, so I'm glad to hear your...your real-world experience, Mr. Cheng. And just it's...it's...echoes what I heard in Helsinki.

MR. CHENG: It totally is, it totally works, Chair.

CHAIR JOHNSON: So...okay. We can do another round robin if you need it. I was...I was thinking about if...if folks needed to make the amendment on when the ordinance takes effect, but go ahead, Chair Lee.

COUNCILMEMBER LEE: Can we have somebody from Finance or the Budget Director? To my knowledge, we don't sell bonds, but we should...we should get that clarification. We normally borrow --

CHAIR JOHNSON: Right.

COUNCILMEMBER LEE: -- through bonds.

CHAIR JOHNSON: I...

COUNCILMEMBER LEE: But selling bonds is...you know, I think we need to get our financial people here so we can get clarification.

CHAIR JOHNSON: Okay. So, as soon as you mentioned Finance, I just realized Councilmember Keani Rawlins-Fernandez came on the call. So, let me recognize Councilmember Keani Rawlins-Fernandez. Welcome and satadoe [sic] I think is the word of the day for you.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aloha 'auinalā, Chair, mai Maui nui akama (*phonetic*). I'm...I'm alone here in the room in Wailuku. Mahalo.

CHAIR JOHNSON: Aloha. Okay. And Chair Lee, according...you know, your...your idea of speaking to Finance, remember we did Bill 61, and we had the...the Finance Department come in. And remember those guys from Merrill Lynch come and speak with us? It was really a interesting character who told us this is a very common way that municipalities do this. So, I don't know if...we didn't invite anybody from Finance for this meeting, but if you...I mean we have Deputy Director Linda Munsell if you'd like, or Mimi DesJardins. I don't know who else you would think you would want to speak to on that.

COUNCILMEMBER LEE: Perhaps someone from Corp. Counsel, let's say...well, maybe Mimi might know.

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CHAIR JOHNSON: Yeah. Mimi...Ms. DesJardins?

COUNCILMEMBER LEE: To my knowledge, when we talked to bond counsel, we're talking about borrowing, not selling bonds.

MS. DESJARDINS: Well, I mean if I'm just looking at the language from Bill Number 61, that new addition, it says to provide funds for payment of principal and interest on bonds issued. So, that would not be us...that would be us borrowing money, right? We're paying the principal and interest on a bond, but we're not selling bonds. So, I...I don't...other than that, I would not be the person to ask. You really would have to ask the Director of Finance.

CHAIR JOHNSON: Okay. So, I don't see any other hands up, and I think having had that discussion, I'm...I'm...I'm malleable. So, Members, I'll entertain a motion to amend section 4 of the Bill 107 to read as follows, this ordinance would take place on effect on May, 2023. If...

COUNCILMEMBER PALTIN: So move.

CHAIR JOHNSON: Moved by Councilmember Paltin. Do we have a second? Second by Councilmember Sinenci. Okay. Discussion? Oh, go ahead, Chair Lee.

COUNCILMEMBER LEE: Personally, I'm not ready for this. I'm hoping that we could talk about it more, and bring in Finance as well as some lenders, as Member Molina had asked for. If...I just don't feel comfortable moving this forward at this time. Thank you.

CHAIR JOHNSON: Okay. I'd like to welcome back Councilmember Kelly King. And I saw Councilmember Molina's hand up.

VICE-CHAIR MOLINA: Yeah, Chair, thank you. I...I too would kind of just maybe like to get some additional information from a lender, and also hear from the Director of Finance before moving it out today. And maybe possibly considering doing another meeting in the future. But that's just my...my feeling, Chair. So, I --

CHAIR JOHNSON: Okay.

VICE-CHAIR MOLINA: -- can get a better level of comfort. Thank you.

CHAIR JOHNSON: Okay. Councilmember Sugimura?

COUNCILMEMBER SUGIMURA: Yeah, I want to express similar concerns. I...you know, I...I believe that something this important, more voices, and with some expertise from the community, it would be very beneficial. Appreciate the

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resources that have stayed on to educate us today, and I think there's more that I need to learn before I can take a vote. Thank you.

CHAIR JOHNSON: Okay. We're...I want to clarify something. We had lenders come last meeting, right, recall that? And then this is...we have an amendment on the floor about moving the...the date on when it takes effect. So, I just want to remind you guys that we did have plenty of lenders come and speak last time, and this is the third meeting we've had on this. So, I don't know how much...you know, it's...it's a yearly published guideline. So, we've spent a lot of times on this, this is our third meeting on it. So, I figure, let's call for the question. We're going to have to do a roll call on...on the amendment. So, Staff, would you mind doing...oh, oh, wait, we have a...go ahead, Councilmember Kelly King.

COUNCILMEMBER KING: Yeah, Chair, I think I saw Member Paltin with her hand up too. I...I --

CHAIR JOHNSON: Okay.

COUNCILMEMBER KING: -- was just...hopefully...I'll...I defer to her, but if you could just read the amendment again. Thank you.

CHAIR JOHNSON: Certainly.

COUNCILMEMBER PALTIN: I'll...I'll yield to Member King.

CHAIR JOHNSON: Let me just read the...oh, okay.

COUNCILMEMBER KING: Okay. Thank you, Member Paltin. I just...because I came back in, I had to --

CHAIR JOHNSON: Right.

COUNCILMEMBER KING: -- go give a keynote speech, so...

CHAIR JOHNSON: So, the amendment is after hearing the discussion on...on when it would actually take effect. So, the amendment would read as follows. This ordinance...this ordinance takes effect on May, 2023. As it's written now, it says this ordinance takes effect on approval. So, that's the amendment on the floor. Councilmember Paltin?

COUNCILMEMBER PALTIN: I just was wondering about a friendly amendment to have it taking effect when the 2023 HUD guidelines come out so that it's not like just arbitrary May, but it's when the guideline...because that's why we're changing it because that's when the next guidelines come out. So, just in case --

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CHAIR JOHNSON: So, that's...

COUNCILMEMBER PALTIN: -- if they're late or something like that, align it with that thing.

CHAIR JOHNSON: So, that would be...you're...you're amending your amendment? Because you were the one who made the motion, right? And then I saw, Councilmember Sinenci, you have a friendly second? Okay. So, let's call for the question then. Seeing no other hands. Oh, I see Mister...Mr. Mitchell. Yes?

MR. MITCHELL: Thank you, Chair Johnson. Would it be possible to specify the actual date as opposed to just May, 2023? Such as either May 1st, 2023 or May 31st?

COUNCILMEMBER PALTIN: Oh...

CHAIR JOHNSON: Councilmember Paltin?

COUNCILMEMBER PALTIN: I was...I was not having a date, I was having it align with the 2023 HUD guideline coming out would be when it takes effect. Is that all right, Mr. Mitchell?

MR. MITCHELL: I still think it would be helpful if we were clear about the date that we want this --

CHAIR JOHNSON: Okay.

MR. MITCHELL: -- to be enacted.

CHAIR JOHNSON: Okay. How...how about we ask Deputy Director Linda Munsell and find out when the Department issues it. Maybe they have an exact date. Deputy Director Linda Munsell, do you have an exact date on when we publish our...our affordable housing price guidelines next year?

MS. MUNSELL: Yeah, thank...thank you for the...the question. The HUD guidelines don't come out on the same date every year. Generally HUD releases them either in April or May, but we don't have a specific date. And I guess what I would request is that if you are going to tie it to that, that you would simply say within 30 days of the release of the 2023 HUD AMI. Thank you.

CHAIR JOHNSON: Okay. So, Councilmember Paltin, does that satisfy your intent?

COUNCILMEMBER PALTIN: For me, it's...it's okay. If I guess our attorney is okay with it saying --

CHAIR JOHNSON: Yeah.

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COUNCILMEMBER PALTIN: -- within 30 days of the HUD guideline coming out. And --

CHAIR JOHNSON: Mr. Mitchell?

COUNCILMEMBER PALTIN: -- it could be April or May.

MR. MITCHELL: Thank you, Chair Johnson. I think Deputy Director Munsell's suggestion is a good one.

CHAIR JOHNSON: Okay. So, for the record, you guys noted that? I...I didn't get it word for word.

COUNCILMEMBER PALTIN: Legislative intent.

MR. MITCHELL: Yes, Chair.

CHAIR JOHNSON: Okay. Thank you. All right. Let's call for the question. Ms. Stewart [sic]?

MS. GRECO: Councilmember Sugimura.

COUNCILMEMBER SUGIMURA: No.

MS. GRECO: Councilmember Sinenci.

COUNCILMEMBER SINENCI: Aye.

MS. GRECO: Councilmember Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aye.

MS. GRECO: Councilmember Paltin.

COUNCILMEMBER PALTIN: Aye.

MS. GRECO: Council Chair Lee.

COUNCILMEMBER LEE: No.

MS. GRECO: Councilmember King.

COUNCILMEMBER LEE: You're muted.

MS. GRECO: Councilmember King.

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COUNCILMEMBER LEE: She's muted.

COUNCILMEMBER KING: I thought I said aye. Did...can you hear me?

COUNCILMEMBER LEE: Now.

MS. GRECO: Got it, thank you.

COUNCILMEMBER KING: Okay.

MS. GRECO: Councilmember Kama.

COUNCILMEMBER PALTIN: Excused.

CHAIR JOHNSON: Excused.

MS. GRECO: Committee Vice-Chair Molina.

VICE-CHAIR MOLINA: Aye with reservations.

MS. GRECO: Committee Chair Johnson.

CHAIR JOHNSON: Aye.

MS. GRECO: You have six "ayes," two "noes," one excused. Motion carries.

**VOTE: AYES: Chair Johnson, Vice-Chair Molina, and
 Councilmembers King, Paltin,
 Rawlins-Fernandez and Sinenci.**

NOES: Councilmembers Lee and Sugimura.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember Kama.

APPROVED AMENDMENT.

CHAIR JOHNSON: Okay. Members, I...I want to correct the record. It was Ms. Greco who did the roll call. My mistake, I thought it was Ms. Stewart. Sorry about that.

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Okay. Members, if there's...I don't see any...if there's any other amendments, I'm going to...the Chair is going to call for the question. Okay. The Chair will now call for the vote for the main motion as amended to recommend passage on first reading of Bill 107, CD1 [sic], entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 2.96, MAUI COUNTY CODE, RELATING TO AFFORDABLE HOUSING...AFFORDABLE HOUSING SALES PRICE GUIDELINES;" incorporating revisions made by Committee, and any nonsubstantive revisions. Ms. Greco, will you do a roll-call vote please?

MS. GRECO: Councilmember Sugimura.

COUNCILMEMBER SUGIMURA: No.

MS. GRECO: Councilmember Sinenci.

COUNCILMEMBER SINENCI: Aye.

MS. GRECO: Councilmember Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aye.

MS. GRECO: Councilmember Paltin.

COUNCILMEMBER PALTIN: Aye.

MS. GRECO: Council Chair Lee.

COUNCILMEMBER LEE: No.

MS. GRECO: Councilmember King.

COUNCILMEMBER KING: Aye.

MS. GRECO: Councilmember Kama.

COUNCILMEMBER SUGIMURA: Excused.

COUNCILMEMBER PALTIN: Excused.

MS. GRECO: Committee Vice-Chair Molina.

VICE-CHAIR MOLINA: No.

MS. GRECO: Committee Chair Johnson.

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CHAIR JOHNSON: Aye.

MS. GRECO: You have five "ayes," three "noes," one excused. Motion carries.

**VOTE: AYES: Chair Johnson and Councilmembers King,
 Paltin, Rawlins-Fernandez and Sinenci.**

**NOES: Vice-Chair Molina, Councilmembers Lee and
 Sugimura.**

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember Kama.

MOTION CARRIED.

ACTION: Recommending FIRST READING of Bill 107 (2022).

CHAIR JOHNSON: Okay. Members, that was the one item on the agenda today, so we are done here. I want to thank you for your hard work. And the people of Maui County are going to really reap the benefits on...on...on this. So, I can't speak for everybody, but I want to say thank you from my heart that we took the gumption to do it. So, mahalo. It is now 3:35, and having no more items before the agenda, we are done. So, it is 3:35, and the Affordable Housing Committee is now adjourned. . . .(gavel). . .

ADJOURN: 3:35 p.m.

APPROVED:

GABE JOHNSON, Chair
Affordable Housing Committee

ah:min:220630-d:slv:ds

Transcribed by: Daniel Schoenbeck

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CERTIFICATION

I, Daniel Schoenbeck, hereby certify that pages 1 through 46 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 25th day of July 2022, in Kula, Hawai'i



Daniel Schoenbeck