

COUNCIL OF THE COUNTY OF MAUI
**HUMAN SERVICES AND
ECONOMIC DEVELOPMENT COMMITTEE**

August 20, 2002

Committee
Report No.

02-102

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Human Services and Economic Development Committee, having met on August 1, 2002, makes reference to County Communication No. 02-124, from the Director of Housing and Human Concerns, transmitting a document entitled, "Affordable Housing Agreement" to be entered into by and among Lai Honua, LLC; Lokahi Ventures, LLC; and the County of Maui.

The purpose of the agreement is to state how the owner and developer (Lai Honua, LLC and Lokahi Ventures, LLC, respectively) of the 104 apartment-hotel room project known as the Wailea Beach Villas will satisfy the County's affordable housing requirements at a second project, known as the Villas at Kenolio.

Your Committee notes that the Director of Housing and Human Concerns also requested Council comment on the agreement, in accordance with Chapter 2.94 of the Maui County Code.

At its meeting, your Committee met with the Director of Housing and Human Concerns; a Deputy Corporation Counsel; Gwen Ohashi Hiraga, consultant, Munekiyo and Hiraga Inc., representing Lai Honua, LLC; and Mark Whiting, Manager, Lokahi Ventures, LLC.

One person testified on this matter, raising a number of questions about the draft affordable housing agreement.

Mr. Whiting and Ms. Hiraga provided your Committee with an overview of the Wailea Villas project and the draft affordable housing agreement.

Ms. Hiraga noted that pursuant to Condition No. 19 of the Wailea Beach Villas project Special Management Area Permit approved by the Maui Planning Commission, the project shall comply with the County's Affordable Housing

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Policies for Hotel-Related Development (Chapter 2.94, Maui County Code). She further noted that Chapter 2.94 of the Maui County Code requires that one affordable housing unit be constructed for every four hotel-apartment rooms. Therefore, the 104-unit project is required to construct 26 affordable housing apartment units. As such, the developer of the project will construct all 26 units at the Villas at Kenolio project, also being developed by Lai Honua, LLC and Lokahi Ventures, LLC.

Each unit is a two-bedroom, two-bathroom unit that will range in size from 897 square feet to 1,173 square feet. Based on the County's 1999 Human Needs Assessment Report, 35 percent (nine units) will be sold at 100 percent or less of median income at a sales price of approximately \$160,100; 38 percent (ten units) will be sold at 110 percent or less of median income at a sales price of approximately \$180,300; and 27 percent (seven units) will be sold at 120 percent or less of median income at a sales price of approximately \$200,600.

According to Mr. Whiting, in accordance with Section 2.94.030 Subsection A, all of the affordable units must be built and available for occupancy concurrent with or prior to occupancy of the Wailea Beach Villas project.

It is estimated that 10 of the 26 affordable housing units will be constructed from August 2002 to August 2003; 14 units will be constructed from January 2003 to January 2004; and two units will be constructed from June 2003 to June 2004.

The Villas at Kenolio features a swimming pool, spa, playgrounds and other facilities that will be accessible by all residents of the project. All residents will be required to pay a monthly maintenance fee.

Your Committee noted that Section 2.94.030 Subsection C of the Maui County Code states "Pending enactment by the Maui County council of the housing guidelines required in this chapter, the human concerns director shall review all affordable housing proposals and shall consider the following factors in his or her review..." Subsection D further states that the extent of the Council's authority is in reviewing and commenting on draft affordable housing agreements. Your Committee further noted that without the enactment of the

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housing guidelines, the Council was virtually powerless in requiring amendments to affordable housing agreements.

When your Committee expressed concern that the hotel zoning of the Wailea Beach Villas project would allow for conversion from hotel-apartment units to timeshare units, Mr. Whiting stated that under the CC&Rs (codes, covenants and restrictions) of Wailea Resort, timeshares are not allowed. The project is located between the Outrigger Wailea Resort and the Grand Wailea Resort.

Your Committee also asked the developer if he would consider lowering the prices for the units that will be sold at 100 percent or less of median income (approximately \$160,000), especially since the monthly maintenance fees would be about \$250 per month. Mr. Whiting stated that it would be difficult to lower the rates and recover costs associated with building the units.

Your Committee voted to recommend filing of the communication, and that two comments be transmitted to the Director of Housing and Human Concerns. The first comment is that Maui County residents should be given priority for purchasing the affordable units. The second comment is that the 10-year term of occupancy should be reduced to 5-7 years.

Your Human Services and Economic Development Committee **RECOMMENDS** the following:

1. That a copy of this committee report be TRANSMITTED to the Director of Housing and Human Concerns with the following comments:
 - a. That Maui County residents should be given priority for purchasing the affordable units; and
 - b. That the 10-year term of occupancy should be reduced to 5-7 years; and
2. That County Communication No. 02-124 be FILED.

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Adoption of this report is respectfully requested.

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