

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

July 7, 2014

Council Chamber

CONVENE: 9:31 a.m.

PRESENT: Councilmember Mike White, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Gladys C. Baisa, Member (in 9:39 a.m.)
Councilmember Elle Cochran, Member (out 10:07 a.m., in 10:09 a.m.)
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (in 9:40 a.m.)
Councilmember Michael P. Victorino, Member

EXCUSED: VOTING MEMBERS:
Councilmember Donald G. Couch, Jr., Member
Councilmember Robert Carroll, Member

STAFF: Michele Yoshimura, Legislative Analyst
Yvette Bouthillier, Committee Secretary

Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

ADMIN.: Janice Yukiko Shishido, Deputy Director, Department of Housing and Human Concerns
Clyde (Buddy) Almeida, Assistant Housing Administrator, Housing Division, Department of Housing and Human Concerns
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the audience:

Wendy Taomoto, Capital Improvement Program Coordinator, Department of Management

OTHERS: Aaron Kemp, Lokelani Ohana (BF-117)
Sherri Dodson, Executive Director, Habitat for Humanity (BF-13(3))
John Andersen, Executive Director, Na Hale O Maui (BF-13(3))

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Christina Chang, President and Executive Director, Lokelani
Ohana (BF-117)
Others (5)

PRESS: Akaku: Maui Community Television, Inc.

CHAIR WHITE: . . . *(gavel)*. . . Good morning. This meeting of the Budget and Finance Committee will come to order. I apologize for the late start. We have a bare quorum and I had a meeting that was delayed by a Hawaiian Air delay, and Ms. Crivello had a delay getting here from Molokai. So we're ready to rock and roll and I'd like to first welcome Committee Vice-Chair Riki Hokama --

VICE-CHAIR HOKAMA: Chairman.

CHAIR WHITE: --and Members Stacy Crivello.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR WHITE: Good morning. Elle Cochran.

COUNCILMEMBER COCHRAN: Aloha, Chair.

CHAIR WHITE: And Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha, Chair.

CHAIR WHITE: And we'll be joined by Chair Baisa and Don Guzman shortly, and both Robert Carroll and Don Couch are excused for the day. So with that, Members, I'd like to move right into public testimony and we'll do our introductions as we get further into the agenda. So the first testifier here in the Chambers is Aaron Kemp, testifying on behalf of the Lokelani Ohana.

...BEGIN PUBLIC TESTIMONY...

MR. KEMP: Sorry.

CHAIR WHITE: Good morning, Mr. Kemp.

MR. KEMP: Good morning. We're testifying on BF-117, Affordable Housing Fund, Lokelani Ohana. We're asking to use the \$400,000 to buy land to build an ADA-compliant home

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for people with disabilities. In my experience, I lived in an apartment on my own back in Colorado Springs, and I wanted to stay there but my mom asked me to move here so I did. So I'm willing to live on my own, so we're asking to please vote on letting us use the \$400,000 to use to buy the land. Thank you.

CHAIR WHITE: Thank you, Mr. Kemp. Any questions for the testifier, Members? Seeing none, thanks for coming today. Our next testifier is Sherri Dodson, testifying on behalf of Habitat for Humanity.

MS. DODSON: Good morning, Chair --

CHAIR WHITE: Good morning.

MS. DODSON: --members of this Budget Committee. I'm Sherri Dodson with Habitat for Humanity, testifying on behalf of BF-13, the Affordable Housing Fund for our Building Houses, Building Hope Program. We're going to be using these funds for our Kahawai Project. If you've been down in Happy Valley lately you'll see that our project is coming along quite nicely. Unfortunately, we've been given a timeline to finish this project, which has caused some increase in the construction cost, acceleration cost to complete it in time. The State HHFDC gave us a deadline of next year March to have all our families in the project, closed escrow, so we really need to. . .where we would've used volunteer labor, we are now having to hire subcontractors to do a lot of the work, so it's costing us a little bit more money, so we're asking for funds from the Affordable Housing Fund, 1.4 million, to finish this project and to help build and renovate other projects.

CHAIR WHITE: Okay. Members, questions for the testifier?

COUNCILMEMBER VICTORINO: Yes. Go ahead.

CHAIR WHITE: Mr. Hokama.

VICE-CHAIR HOKAMA: So how much money is the State giving you?

MS. DODSON: The HOME funds, which are HUD funds that are filtered down through HHFDC to the County, is 3.2 million.

VICE-CHAIR HOKAMA: And was that for the original request or is this with the accelerated timeline?

MS. DODSON: The 3.2 million was for the original request. We got that some time ago.

VICE-CHAIR HOKAMA: So what's driving the accelerated deadline?

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MS. DODSON: The State.

VICE-CHAIR HOKAMA: What, they cannot perform and so they taking it out on the grantees, I mean, what's the problem?

MS. DODSON: We were called into a meeting last year, the County and myself, and the State had said that we needed to finish it by based upon the fiscal year of some of the funds by next year. It was the first time we heard about it and my understanding the first time the County had heard about that there was a deadline for it. HUD was there and HUD needed to verify whether that was true or not, and then we got the termination from HUD that, yes, it had to, the project had to be finished; otherwise, the funds would have to be returned by the County to the State.

VICE-CHAIR HOKAMA: I could say things, Chairman, but it's not appropriate in general session. Thank you very much for your response.

MS. DODSON: Thank you.

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: Many of my same questions along the same lines, you know, what's driving this and why the sudden change, and very disheartening because the whole part of Habitat for Humanity is the sweat equity, the contributions from which the tenants or the, in this case, owners of the apartments would be part of. And so now you kind of taking that out of the equation and that doesn't sit well in my mind, you know. Yet I like what you're doing, I've been there couple times, in fact, I was there this past Saturday. I like driving by every week to just see how things are progressing so. But I'll ask the Department when we have an opportunity to give us more clarification and why this change has occurred.

MS. DODSON: And we are still having our families do sweat equity. They are working on the project in any way they can, especially helping the subcontractors so that the subcontractors can speed up their work. We're very fortunate that the people that we're working with, the contractors are very open to having volunteer labor clean up, do what they can without getting in the way, so our families are working on the project.

COUNCILMEMBER VICTORINO: Thank you for that clarification. Thank you, Chair.

CHAIR WHITE: Thank you. Members, other questions? Ms. Dodson, the total of construction cost would be the . . . would it be the 3.2 from the State and then this 1.4, or are there other funds being utilized for this project as well?

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MS. DODSON: We had a previous grant from the Affordable Housing Fund in the amount of 693,000 and then Habitat has our contribution. So right now, we're at about 5.2, 5.3 million, although the numbers keep changing because as we go through the project and find out that we need to, you know, hire more subs or. . .like drywall, we just finished hiring a drywall and normally our volunteers would do that so that was additional \$300,000.

CHAIR WHITE: Okay. So the total construction cost you're estimating to be about what?

MS. DODSON: 5.4 million.

CHAIR WHITE: Okay. And what was the cost of the land?

MS. DODSON: I think it was about 300,000.

CHAIR WHITE: Okay. Thank you.

MS. DODSON: We bought the land a long time ago.

CHAIR WHITE: Okay. Members, any other questions? Thank you very much, Ms. Dodson. And the Chair would like to recognize the presence of Chair Baisa. Good morning.

COUNCILMEMBER BAISA: Thank you very much.

CHAIR WHITE: Our next testifier here in the Chambers is John Andersen, testifying on behalf of Na Hale O Maui.

MR. ANDERSEN: Good morning, Chair White and Committee members. My name is John Andersen, I'm the executive director of Na Hale O Maui, Maui's community land trust for affordable housing. I'd like to begin by thanking Chair White for scheduling this so quickly, that we didn't expect it to come up until the end of the month, so thank you for addressing it now 'cause we can move things along. Also I'd like to thank the Department for making the recommendation that's before you of the \$780,000 for Na Hale O Maui's Kahoma Residential Project. And while I'm here, I have to congratulate Councilmember Riki Hokama for being elected first president of the National Association of Counties. It takes a demonstration of real leadership skills to obtain a position like that, and you've shown that in the 13 years you've been a member of that organization. Congratulations, we're all very proud of you. That said, I wanted to explain that our grant request this year is actually for a matching grant. Na Hale O Maui has committed \$780,000 of our funds to this project, and the total land cost for the 12 lots that are fully improved that West Maui Land has agreed to sell to us is 130,000 per lot,

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1,560,000. We're asking the County's Affordable Housing Fund to match our 780,000, because it will allow us to have an alternative to our first plan and our first plan, which we've applied for, is to bring in about \$3.9 million in low-income housing tax credit funding, but it is very rare for an organization to be granted LIHTC funds on their first application we've been repeatedly told. So we came up with a plan b, which is to go ahead and build the houses without LIHTC funds using construction financing, and if we own the 12 fully improved lots, we can get a construction loan to do that, owning those lots fee simple. So these 12 houses will be built whether we get LIHTC funding or not, and we're trying for LIHTC funding because that is a source of funding that is available every year and Maui has received very little in LIHTC, so we will keep pursuing that. But it may well be that we will build these houses to satisfy the 80 to 120 percent category. This is a 100 percent affordable project and the 80 to 100 percent have been where all of our buyers have been coming from for our community land trust homes. So we would have 12 brand new homes in Lahaina, and I don't think we will see an opportunity to acquire ready-to-build lots in Lahaina for \$130,000 again in my lifetime. So this is an opportunity that we need to take advantage of and we've developed two houses in Lahaina, talk about an acute, affordable housing crisis, it's right there in Lahaina. It is extremely expensive to get anything to purchase there, and our prices will be affordable in the high 300,000, low 400,000 range for brand-new three and four --

MS. YOSHIMURA: Three minutes.

MR. ANDERSEN: --homes. So I thank you very much for your consideration, I'd be happy to answer any questions that you have.

CHAIR WHITE: Members, questions for the testifier?

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. And aloha, Mr. Andersen. Thank you for being here. Did you have a dollar amount you're asking?

MR. ANDERSEN: Seven hundred and eighty thousand, one-half of the purchase price for the 12 improved lots. We're putting in half and we're asking the County to match us, 780,000.

COUNCILMEMBER COCHRAN: Okay. And the location?

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MR. ANDERSEN: It's the Kahoma Residential Project developed by West Maui Land that has been approved by this body and the LUC, 68 single-family lots, and 100 percent affordable project.

COUNCILMEMBER COCHRAN: Okay. Thank you very much. Thank you, Chair.

CHAIR WHITE: Other questions, Members? Mr. Andersen, what is the status of the development? What does the timing look like?

MR. ANDERSEN: The applicant, West Maui Land Company, has submitted the subdivision map for approval, they're expecting final bonded subdivision approval either in September or October, and they will begin the infrastructure improvements at that time. So it's moving right along on schedule.

CHAIR WHITE: And is it required to get an SMA permit or is it mauka of the SMA?

MR. ANDERSEN: All of that has been accomplished. I believe it's outside of SMA.

CHAIR WHITE: Okay. And I think that was the only question I had for you on that one.

MR. ANDERSEN: The project is fully entitled.

CHAIR WHITE: Okay. Thank you. Any other questions, Members? Seeing none, thank you --

MR. ANDERSEN: Thank you.

CHAIR WHITE: --for coming today. And our last testifier in the Chambers is Christina Chang, and if there's anyone else who would like to provide testimony please sign up or be ready to come forward. After Ms. Chang's testimony, we'll go to our District Offices.

MS. CHANG: Good morning, Chair White and Council members. Thank you also for scheduling this meeting. We expected it to be on the 29th and because we're in a time crunch with meeting our requirements on the purchase of land we're speaking of BF-117, Lokelani Ohana Hale, Lokelani Ohana Project. I'm the executive director and president of the organization. And on August 8, as we testified at the Council meeting in 2013, we were blessed to receive a \$400,000 Affordable Housing Grant and we looked...we actually were in contract in the early part of that year with a home on Vineyard Street when we first made the request, and with the due diligence we found a toxic mold report that came in from two different labs that was in the material of the particle board in the house, and we broke the contract because we'd have to gut the house, but also the money from the grant wasn't going to be available before we needed to close. So then we found a home at 295 Mikohu that was actual built by a nurse for elder care, and we attempted

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with four offers to go into contract for this 11 bedroom, 7.5 bath home, which was the only home that we have found in the year since we have been working, a year and a half really, that was ADA compliant. You have to have double exits from both floors, it was a two story, it had 36-inch wide doors, it had the 40, larger than 42-inch wide hallway. And we were not successful in buying the home and then we were working with Gerald Hokoana, who's an excellent realtor, who's worked with nonprofits before and affordable housing projects, and he really. . .we've been looking every single day at the MLS's for homes, we've looked at many, many, many homes and we have the requirements for the USDA, which is almost 100 percent ADA compliance to use our mortgage money. Then we have the domiciliary requirements with the Department of Health, which is the license to run the home, which has a lot of ADA compliance. And then the County has a percentage of ADA compliance also for using the money. And we haven't found a home, so in February of this year, Keith Powers, who had bought the home from Peter Winn, had approached us and said he would be interested in selling the home to us on Mikohu, so we stopped looking for housing and land, we went into a two-month negotiation period --

MS. YOSHIMURA: Three minutes.

MS. CHANG: --and. . .may I have another minute, Chair?

CHAIR WHITE: Yes.

MS. CHANG: And we just weren't able to come to an agreement of. . .actually, he needed to provide measurements for us to provide to the Department of Health to get preapproval on the design of the home and that was not provided to us. So he wanted to close without any contingencies and a nonrefundable deposit before we were able to do it, and we were not able to negotiate a honorable contract, so he broke the deal with us and now we went back to the drawing board with a time crunch of losing our grant money, because we hadn't found a home that was compliant. And when we met with Jo-Ann Ridao in January before we were offered the purchase of Mikohu again, she recommended that we look at land. So we --

MS. YOSHIMURA: Four minutes.

MS. CHANG: --took that right up and this is why we're here today to please translate the affordable housing grant money of the 400 and that's in order for us to buy the land. And there's a lot of documents that we sent over and. . .may I complete or do you have questions?

CHAIR WHITE: Well, I'm sure there'll be some questions.

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MS. CHANG: Okay. I just. . .30 more seconds?

CHAIR WHITE: Well, you can add it as you answer questions.

MS. CHANG: Okay. That's good. Thank you. May I answer questions?

CHAIR WHITE: Yeah. Any questions for the testifier? Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. And thank you for being here.

MS. CHANG: Thank you.

COUNCILMEMBER BAISA: Can you give me a better idea of where this place is that you want to buy?

MS. CHANG: It's at 32 Heahea in Waihee, when you enter into Waihee Town, you turn left to go up to St. Ann's Church, and then you make another left at the top of the road, and it's a two-acre lot at the end of the road, mauka side.

COUNCILMEMBER BAISA: You're surrounded by?

MS. CHANG: A nursery to the left and mac nuts behind and mac nuts to the right and a private land with a gravesite in the front. So it's rural, it's close to the farm that we have in Waihee, we're under contract. There's an extension that has been offered to us by the owner, which will end October 11th, and we have a lot of regulations to fulfill with USDA and DOH before we would lose the \$5,000 deposit if we don't meet those requirements by that date and close in escrow.

COUNCILMEMBER BAISA: Thank you very much. It's, to me, it's important to me, because, you know, you want to be fairly close to things but yet being, you know, separate like that is good. Thank you.

MS. CHANG: Thank you.

CHAIR WHITE: Members, other questions for the testifier? Ms. Chang, could you give us an idea what other grants are in jeopardy because of the timing?

MS. CHANG: There are individuals like the Makana Aloha Foundation, this is ___ family fund that gave money to help us complete our \$100,000 requirement to receive the 400,000, and everyone asked for monthly updates on where we stand in our project, and without us completing this fulfillment of purchase of home or building of home then those other grants are in jeopardy.

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CHAIR WHITE: Okay. Are you receiving any State grants?

MS. CHANG: We are only preapproved for the USDA money, and when I spoke with Jo-Ann and others about applying for more money from the State, they said spend, fulfill what you have, fulfill the obligations that you have. We did apply for the CDBG Grant with the Mayor for the Mikohu home to complete the ADA compliance requirement, and we would again be applying for the CDBG Grant to help support the building of this home.

CHAIR WHITE: And is the ADA grant something that can be used for land acquisition as well or is that just for construction?

MS. CHANG: Are we speaking about the USDA?

CHAIR WHITE: Right.

MS. CHANG: It can but if we buy the land with the USDA money then we're paying a mortgage with no home, and they've already approved both land and both purchasing of land and building of a home, but it doesn't make sense for us to be paying a mortgage on a piece of land with no home on it. So our request is. . .

CHAIR WHITE: I'm just trying to get a sense of what the timing crunch is, whether you would be able. . . just trying to get a sense of how quickly you're in need of the County funding and whether the USDA portion of the funding is going to be adequate when combined with the County funding to complete the home.

MS. CHANG: The market value of the land is 450,000, our offer is 395 and it's been accepted. We have our 125,000, we're continuing to raise more money, Lokelani Ohana has that fund, and there's the 395 from the USDA, and the combination of all the funds together would build a seven-bedroom, three-bath house with a garage and an outdoor laundry facility, and we sent you the plans for the home. We also have had a bid from Christopher Takitani on the home. Originally, we had an eight bedroom and he bid it out at 576, so we reduced it by one bathroom and one bedroom. We sent you those plans and that bid, and we can build that home on the land with the infrastructure that's needed with the money that we presently have.

CHAIR WHITE: Okay. Members, other questions for the testifier? Oh, and I'm sorry, I've failed to recognize the presence of Don Guzman. Good morning.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR WHITE: If there are no further questions, thank you very much, Ms. Chang.

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MS. CHANG: Thank you very much.

CHAIR WHITE: And we'll go to our District Offices. First to Dawn in Hana, do you have any testifiers this morning?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office and there is no one waiting to testify.

CHAIR WHITE: Thank you very much. And we'll go to Denise on Lanai.

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez on Lanai, and there is no one waiting to testify.

CHAIR WHITE: Thank you very much. And we have no one on the island of Molokai today, so I'll check one last time in the Chambers to see if there's anyone wanting to testify. Seeing no one coming forward, without objection, the Chair will close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Thank you. Public testimony is closed.

...END OF PUBLIC TESTIMONY...

ITEM NO. 13(3): AFFORDABLE HOUSING FUND PROGRAM
ANNUAL PLAN (CC 14-154)

CHAIR WHITE: And, Members, we'll move on to the first item on our agenda which is BF-13. We'll ask the Department for their updates starting with the bill entitled, A Bill for an Ordinance Amending Appendix A of the Fiscal Year 2015 Budget for the County of Maui as it Pertains to Part II, Special Purpose Revenues - Schedule of Revolving/Special Funds for Fiscal Year 2015, Affordable Housing Fund, Na Hale O Maui Kahoma Project. If you could provide us with your update, either Ms. Shishido or Mr. Almeida.

MS. SHISHIDO: Good morning, Budget Chair --

CHAIR WHITE: Good morning.

MS. SHISHIDO: --White. Good morning, Council Chair Baisa and Council members, good morning. I'm Jan Shishido, Deputy Director for Department of Housing and Human Concerns. Director Ridao is on vacation. I'm hoping she has safe travels. And I have

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with me this morning, Buddy Almeida. He is our Assistant Housing Administrator. I wanted to thank also the update for bringing this forward so quickly, and I wanted to thank Mr. Johnson [*sic*] and Ms. Dodson for testifying this morning, and anyway, thank you for this time, and again congratulations, Councilmember Hokama, for your new elected presidency and I've never been to New Orleans. Okay. Good morning.

CHAIR WHITE: Okay. Any concerns with this project, Mr. Almeida?

MR. ALMEIDA: Good morning and thank you, Chair. The Na Hale O Maui project as well as the Building Houses, Building Hope Project for Habitat for Humanity, went through a request for proposal process, they were scored via three-person committee set up by Director Ridao. They were thoroughly reviewed, discussed, and Director Ridao was in full support of the projects recommended for funding in this plan.

CHAIR WHITE: Thank you. Members, any questions for the Department? Seeing none, are you all ready for the Chair's recommendation?

COUNCILMEMBER BAISA: Recommendation.

CHAIR WHITE: The Chair's recommendation is to pass the bill as previously read and we're not filing the Communication. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, which bill, you got three bills under 13(3)?

CHAIR WHITE: The Bill for an Ordinance Amending Appendix A of the Fiscal Year 2015 Budget for the County of Maui as it Pertains to. . .all the rest that I read off regarding Na Hale O Maui Kahoma Project for \$780,000. So the Chair's recommendation is to pass on first reading in addition to allowing Staff to make nonsubstantive revisions.

VICE-CHAIR HOKAMA: So move, Chairman.

COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR WHITE: It's been moved by Hokama, seconded by Mr. Victorino. Any further discussion, Members? Seeing none, all those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: Those opposed, say "no". Measure passes, seven ayes, zero noes.

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VOTE: **AYES:** **Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Cochran, Crivello, Guzman, and Victorino.**

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Councilmembers Carroll, and Couch.**

MOTION CARRIED.

ACTION: FIRST READING of revised bill.

CHAIR WHITE: And we'll move on to the next bill which is, A Bill for an Ordinance Amending Appendix A of the Fiscal Year 2015 Budget for the County of Maui as it Pertains to Part II, Special Purpose Revenues - Schedule of Revolving/Special Funds for Fiscal Year 2015, Affordable Housing Fund, Building Houses, Building Hope Project, which is the Habitat for Humanity project. And the Chair's recommendation is to pass this on first reading and allow Staff to make nonsubstantive revisions. Actually, you know what? I'm not making my recommendation right now. I'm just reading the bill so.

CHAIR WHITE: Ms. Shishido or Mr. Almeida, would you like to make comments, opening comments?

MR. ALMEIDA: Thank you, Chair. No, no additional comments other than previously stated this project was also procured via our Request for Proposal, was scored and reviewed, and recommended for funding by Director Ridaao.

CHAIR WHITE: Thank you. Mr. Victorino.

COUNCILMEMBER VICTORINO: As I stated earlier when the testifier was up here, I wanted to ask the Department if they had more information on why the State has put these time frames now, I don't know if all of a sudden, but it seems like we've hadn't had this in the past and now we're being told you're done by March of next year or else, which has brought this \$1.4 million to the table, which I'm not really happy about, not I'm not happy about the project, not happy that we have to spend more money. Maybe you can explain a little bit more why this was brought forward and what the State's premise is.

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MR. ALMEIDA: Yes, thank you, Member Victorino, for that question. I was not at the meeting, Director Ridao, director Dodson from Habitat for Humanity, and home specialist Tina Krau were at that meeting. I do know the background, the State notified Director Ridao of, I guess, time constraints with regards to how long they had to expend the HOME funds and complete the project. There was some discrepancies with regards to when that clock actually started ticking. The State actually wanted to put a shorter time frame on the project. We scheduled a meeting, or Director Ridao scheduled a meeting with both the State and HUD, and HUD allowed us the March 31st deadline to have it completely closed out and occupied. Construction has to be completed and all permits signed off by the end of the year, that is a milestone that we also have to hit. Results of not completing this, we have been told that that is a drop-dead deadline unfortunately, and if the project was not completed as stated that they would be coming after, or not coming after, but they would be requesting the County to repay the HOME funds that have been expended, which I believe is 2.3 million actually was the amount that was associated with this particular project from HUD.

COUNCILMEMBER VICTORINO: So this is really being mandated from HUD through the State --

MR. ALMEIDA: Correct.

COUNCILMEMBER VICTORINO: --to us. Okay. All right.

MR. ALMEIDA: Yeah, they did back us and gave us more time but, correct, the final authority on this is HUD.

COUNCILMEMBER VICTORINO: Okay. And is this unusual for HUD to do this or is this something that is may become more of a regular occurrence?

MR. ALMEIDA: I think that from what I've seen nationwide, there have been similar problems throughout the country and so I think they're just starting to monitor and enforce this with more regularity than we have seen in the past, so yeah, it's not just, you know, strictly with this project, it's been, you know, throughout the United States, yeah, with similar problems. With regards to enforcing, I think, I believe, I'm not an expert with regards to HOME, but I believe it's five years that you have to expend the funds. The tricky part with this was that funds were earmarked for this project over several years and were not expended until construction actually started, so that's where I think the confusion, you know, began with regards to when that five-year period began and would end, and that's what the meeting clarified and we were unfortunately held to what HUD mandated we had to comply with.

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COUNCILMEMBER VICTORINO: So if I hear you correctly, it's because it's a multiple years of funding that has made this system. So you're thinking maybe year one if you got a million dollars that's when the clock started ticking versus maybe year three when you got the entire amount of money, is that what you're saying?

MR. ALMEIDA: Correct. That was the confusion that we had with regards to that particular regulation.

COUNCILMEMBER VICTORINO: So I guess maybe in the future we have got to be more cognizant of this?

MR. ALMEIDA: It . . .yes. Yeah, definitely something to . . .now we have clarity on how they are going to view it and enforce it, so we know going forward to not make that mistake again.

COUNCILMEMBER VICTORINO: Okay. Thank you. Thank you, Chair, for allowing me this time.

CHAIR WHITE: Thank you. Good question. Other questions for the Department, Members? I think we're all a bit disappointed that we have to spend money out of the Affordable Housing Fund when the project would have gotten done had HUD just simply provided a little bit more time. I just . . .it doesn't sit well that we have to reach into our pockets because they don't like the way we interpreted the deadlines, so the Chair feels that this is something that we need to move forward with. I don't think we have a choice because this is a great project and Habitat makes things happen in ways that few others can do. Ms. Baisa?

COUNCILMEMBER BAISA: Chair, I certainly share your sentiments and, you know, our concern about spending our money, but I will tell you, you know, there is nothing more exciting...and if anybody's not had the opportunity to attend the day when Habitat for Humanity completes a home and hands a homeowner the key, it's an experience of a lifetime you'll never forget and for that alone I'm willing to support it. Thank you.

CHAIR WHITE: Members, any other questions for the Department? If not, the Chair will make his recommendation.

COUNCILMEMBER VICTORINO: Recommendation.

CHAIR WHITE: The Chair will entertain a motion to recommend adoption of the bill as read on first reading and in addition to allowing the Staff to make nonsubstantive revisions.

VICE-CHAIR HOKAMA: So move.

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COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR WHITE: It's been moved by Mr. Hokama, seconded by Mr. Victorino. Any further discussion, Members? Seeing none, all those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: Those opposed, say "no". Measure carries, seven ayes, zero noes, two excused, Members Couch and Carroll.

VOTE: AYES: Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Cochran, Crivello, Guzman, and Victorino.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmembers Carroll, and Couch.

MOTION CARRIED.

ACTION: FIRST READING of revised bill.

CHAIR WHITE: And with that, Members, we'll move to our next item, which is the Kulamalu Affordable Housing Project, and this is A Bill for an Ordinance Amending Appendix A of the Fiscal Year 2015 Budget for the County of Maui as it Pertains to Part II, Special Purpose Revenues - Schedule of Revolving/Special Funds for Fiscal Year 2015, Affordable Housing Fund, Kulamalu Affordable Housing Project. And Ms. Shishido or Mr. Almeida, would you like to provide comments?

MR. ALMEIDA: Thank you, Chair. This is a project that I know Director Ridao is very excited about due to the lack of affordable rentals in Maui County. She's...very much wants to see this project happen. We used affordable housing fund monies to purchase the land and in a sense moved forward with the planning and design phase of the project. Ms. Wendy Taomoto from the Department of Management, the CIP Coordinator is present if you have specific questions with regards to the status of those particular

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aspects, but Director Ridao did want me to stress how excited she is for this project and she is in full support. This amount is the construction estimate that we have received from the planners, so we have set forth that amount and requested that amount for funding in this affordable housing plan.

CHAIR WHITE: Okay. Members, questions for the Department? I think we're all pretty familiar with this project. Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. As district representative where this project is going to go, I just want to express my full support for the project. You know, I've lived Upcountry all my life and I know that we have serious, serious affordable housing and particularly rental needs Upcountry. It's just something that doesn't exist up there, and so this is really, really important for our community, and I really hope that my colleagues will support it and I'd like to see it done ASAP. Thank you.

CHAIR WHITE: Other questions, Members? Mr. Hokama?

VICE-CHAIR HOKAMA: In earlier discussions with the Director, one of the topics came up is to sell the project to put money back into the fund for the Lanai project. Is that still on the table?

MR. ALMEIDA: Yes, I believe, Member Hokama, that that is an option. Once the project is completed and fully leased up, we've established the rental management company that the County would have the option in the future to sell the project and then the funds would be then be replaced back into the Affordable Housing Fund to use for future projects.

VICE-CHAIR HOKAMA: You have a pro forma on what kind of price we can get?

MR. ALMEIDA: No. I wouldn't want to speculate a guess, that's an estimate that I could check with local appraisers and get an estimate to you if you would like.

CHAIR WHITE: Mr. Hokama, the Chair's intention was to ask for that type of an estimate. Based on what the allowable rental levels are, I was gonna ask them to provide us with a cash flow analysis once it's fully rented and then also provide us with an estimate of what they felt the property could be sold for --

VICE-CHAIR HOKAMA: Okay. Thank you, Chairman.

CHAIR WHITE: --so that we can return the funds.

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VICE-CHAIR HOKAMA: Thank you.

CHAIR WHITE: Okay. Any other questions? I think this is a very good project and my one perspective that I feel it's appropriate to add is that if you take the Habitat for Humanity project, they're providing 37 units at a cost of 154,000 per unit because of the sweat equity, and if you look at the Kulamalu Project, the cost is about \$268,000 per unit. So, you know, these are different ways of looking at the projects, obviously with Habitat for Humanity, we get more mileage for our bucks, and that's why the Chair's interest and Vice-Chair's interest is to evaluate whether we can sell the project later and return the funds to the Affordable Housing Funds so that it can go on to create more housing. 'Cause that's really the purpose of the fund is to create as much affordable housing as we can with the funds available. Any other questions, Members?

COUNCILMEMBER BAISA: Recommendation.

CHAIR WHITE: The Chair's recommendation is to pass the bill as read on first reading allowing the Staff to make nonsubstantive revisions and for the filing of County Communication 14-154.

MS. BOUTHILLIER: 155.

COUNCILMEMBER BAISA: So move, Chair.

CHAIR WHITE: I'm sorry.

MS. BOUTHILLIER: County Communication 14-155.

CHAIR WHITE: Okay, the County Communication is 14-155.

COUNCILMEMBER BAISA: So move, Chair.

COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR WHITE: It's been moved by Ms. Baisa, seconded by Mr. Victorino to pass the bill as noted. Any further discussion, Members? Seeing none, all those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: Those opposed, say "no". Measure passes with seven ayes, zero noes with two excused.

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VOTE: **AYES:** **Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Cochran, Crivello, Guzman, and Victorino.**

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Councilmembers Carroll, and Couch.**

MOTION CARRIED.

ACTION: **FIRST READING of revised bill and FILING of communication by C.R.**

CHAIR WHITE: Let's take a quick recess to make sure we've got this right. . . .(gavel). . .

 RECESS: 10:13 a.m.
 RECONVENE: 10:14 a.m.

CHAIR WHITE: . . .(gavel). . . The meeting of the Budget and Finance Committee will come back to order. Without objections, we'll have the Staff adjust the motion to reflect the filing of Communication 14-154.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Thank you, Members.

ITEM NO. 117: AMENDING FY 2015 BUDGET: AFFORDABLE HOUSING FUND (HALE LOKELANI OHANA PROJECT) (CC 14-155)

CHAIR WHITE: And we'll move to our final item for the day, which is the Hale Lokelani Ohana Project. And we've been presented a bill entitled, "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2015, AFFORDABLE HOUSING PROJECT, HALE LOKELANI OHANA PROJECT".

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And as the testifier stated, the purpose of the proposed bill is to add a proviso of \$400,000 for the Hale Lokelani Ohana Project. Would the Department like to make some opening comments?

MR. ALMEIDA: Thank you, Chair. Just to extend Director Ridao's support for this particular amendment, Lokelani Ohana has been working diligently to try to find a special needs home appropriate, suitable to their needs. Unfortunately, that task has proved to be more difficult than originally thought. So the proviso basically allows them the opportunity to either use the funds for construction or the purchase of the land and then they can use the USDA funding to complete the construction. It's a more cost effective way of doing it than using the USDA funds as Christina Chang mentioned earlier and carrying a mortgage on the property. She is also a supporter of this space on the fact that Lokelani Ohana is putting in approximately \$125,000 of their own money towards the acquisition and construction of the project. So she is in full support of this budget amendment. Thank you.

CHAIR WHITE: Members, questions for the Department? Mr. Victorino?

COUNCILMEMBER VICTORINO: Yeah, thank you and I guess from my perspective, I'd like to know that this would also incorporate eventually the building of more than just one bedroom, right? Yeah, because right now she mentioned they have enough funds to build a home with one bedroom, one bath and that would not be sufficient for their needs because there's a growing need for those adult needy, special citizens of our community. So are we looking for helping them to expand once they. . .and other funding grants and all that they're putting together?

MR. ALMEIDA: I believe that the home will incorporate seven bedrooms and three baths.

COUNCILMEMBER VICTORINO: Why don't Ms. Chang come up.

CHAIR WHITE: Yeah, without objections, we'll call Ms. Chang.

COUNCILMEMBER VICTORINO: Without objections from you, Mr. Chair, I'm sorry.

MS. CHANG: Yes, Councilman Victorino, I'm sorry for the confusion. The original plan that we had made was an eight bedroom home with four baths, but because it was over budget we had reduced it to seven bedroom, three baths, which is within the budget that we have to build. So we would be providing a seven-bedroom, three-bath home that would accommodate five people with developmental disabilities and their staff.

COUNCILMEMBER VICTORINO: Okay. Thank you for that clarification 'cause I heard you say something about one bedroom, one bath.

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MS. CHANG: That. . .we had to remove that from the original plans to be within budget.

COUNCILMEMBER VICTORINO: Oh okay, I got confused myself, I apologize.

MS. CHANG: Yeah, thank you for the clarity. We originally had sent a eight bedroom home plan but then we reduced it.

COUNCILMEMBER VICTORINO: Okay. Thank you. Thank you for that clarification, Mr. Chair.

MS. CHANG: Thank you.

COUNCILMEMBER VICTORINO: Thank you.

CHAIR WHITE: Other questions, Members? Seeing none, Chair's just wants to point out we have not yet received the plans and things that Ms. Chang feels we've received, but this is a redo of something we've already approved and I think that they have been depending on this. I think providing the flexibility that they can use it for either land acquisition or construction provides them an appropriate level of flexibility. The only question that the Chair would put out there is that in the last year's budget we had the proviso, provided further that funds shall not be dispersed unless Lokelani Ohana has deposited \$100,000 into escrow for their contribution to the acquisition. It appears that they've already got in excess of that level of funding, so the Chair doesn't feel that that's a necessary thing to add to this proviso, but I just put that out for your comments. Any concerns? Okay. Seeing no concerns, the Chair's ready to make his recommendation.

COUNCIL MEMBERS: Recommendation.

CHAIR WHITE: Chair will entertain a motion to recommend adoption of the proposed bill, "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2015, AFFORDABLE HOUSING FUND, HALE LOKELANI OHANA PROJECT", on first reading; and filing of County Communication 14-155; and allowing Staff to make nonsubstantive revisions.

COUNCILMEMBER VICTORINO: So move, Mr. Chair.

CHAIR WHITE: It's been moved by Mr. Victorino. Do we have a second?

COUNCILMEMBER BAISA: Second.

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CHAIR WHITE: Seconded by Ms. Baisa. Any further discussion? Mr. Hokama.

VICE-CHAIR HOKAMA: Chairman, I'm not ready to support this request. My level of confidence is not there. I mean, how long do we need to wait before we get a site, a secured site? Until they do, I'm not ready to put money to this type of projects. I can wait. So thank you very much.

CHAIR WHITE: I believe they have a site selected in Waihee. They mentioned they have an offer that's put in.

VICE-CHAIR HOKAMA: They cannot give me a document.

CHAIR WHITE: Hold on, Ms. Chang.

VICE-CHAIR HOKAMA: They cannot give me a document, Chairman.

CHAIR WHITE: Ms. Chang.

VICE-CHAIR HOKAMA: Until we get one document it's not good enough for me.

MS. CHANG: Excuse me, I was gonna get the documents, Mr. Chairman.

CHAIR WHITE: It's my understanding that they've put in an offer, the offer has been accepted, but let's take a quick recess and maybe Ms. Chang can provide the documents that we don't have yet. We'll take a five-minute recess. . . .*(gavel)*. . .

RECESS: 10:21 a.m.
RECONVENE: 10:30 a.m.

CHAIR WHITE: . . .*(gavel)*. . . The Budget and Finance Committee will come back to order. Members, we have a little bit of time to work with this, and we don't have the documentation necessary to make sure that we've got all of our i's dotted and t's crossed. So without objection, we'll defer this measure 'til the 29th of July.

COUNCIL MEMBERS: No objections.

ACTION: DEFER pending further discussion.

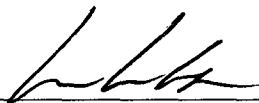
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CHAIR WHITE: And with that, we have concluded our agenda for the day, and I want to thank you all for coming in on a special meeting and appreciate you helping move the measures out that we got done today. So with that, we are adjourned. . . .(gavel). . .

ADJOURN: 10:30 a.m.

APPROVED:



MIKE WHITE, Chair
Budget and Finance Committee

bf.min: 140707:mb

Transcribed by: Michelle Balala

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CERTIFICATE

I, Michelle Balala, hereby certify that 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 of July, 2014, in Kahului, Hawaii.

Michelle Balala

Michelle Balala