

HOUSING, HUMAN SERVICES, AND TRANSPORTATION COMMITTEE
Council of the County of Maui

MINUTES

November 20, 2014

Council Chamber

CONVENE: 1:31 p.m.

PRESENT: VOTING MEMBERS:
Councilmember Stacy Crivello, Chair
Councilmember Elle Cochran, Vice-Chair
Councilmember Gladys C. Baisa
Councilmember Robert Carroll
Councilmember Donald G. Couch, Jr.
Councilmember Don S. Guzman
Councilmember Michael P. Victorino

STAFF: Michele Yoshimura, Legislative Analyst
Clarita Balala, Committee Secretary

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

ADMIN.: Jo-Ann Ridao, Director, Department of Housing and Human Concerns
Clyde "Buddy" Almeida, Assistant Housing Administrator, Department of Housing and Human Concerns
Jeffrey Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:

Wayde Oshiro, Housing Administrator, Department of Housing and Human Concerns

OTHERS: Lucienne de Naie
Doug Spencer, Spencer Development
Stan Franco, FACE Maui
Thomas Douma, Malama Housing Network and Fabmac Homes, Inc.
John M. Andersen, Executive Director, Na Hale O Maui
Jeannie Wenger
Ron Wilson
Ryan Churchill, President, Maui Land & Pineapple Company, Inc.
Rosemary Robbins
Robin Lindsey, FACE Maui

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David DeLeon, Government Affairs Director, Realtors Association of Maui, Inc.
Tyler Dos Santos-Tam, Executive Director, Hawaii Construction Alliance
Sherri K. Dodson, Habitat for Humanity Maui
Jonathan Starr
Kellie Pali-Cruz
Drew Astolfi, FACE Maui
Alice Lee, Residential Workforce Housing Policy Task Force
Mark Short
John Fitzpatrick
Stanford Carr
Irene Bowie, Executive Director, Maui Tomorrow
David Arakawa, Executive Director, Land Use Research Foundation
(17) additional attendees

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

ITEM NO. 11: RESIDENTIAL WORKFORCE HOUSING POLICY (CC 13-221)

CHAIR CRIVELLO: ...*(gavel)*... Good afternoon. Thank you for being here. The meeting of the Housing, Human Services, and Transportation Committee will now come to order. It's 1:31 p.m. on Thursday, November 20, 2014. I'm Stacy Crivello, the Chair of the Housing, Human Services, and Transportation Committee. Before we begin, may I please request that we all turn off or silence our cell phones or other noise-making devices. Thank you. At this time, I'd like to introduce our Committee voting members. Before us is our Committee Vice-Chair, Elle Cochran.

VICE-CHAIR COCHRAN: Aloha. Thank you, Chair.

CHAIR CRIVELLO: Aloha. Our Council Chair, Gladys Baisa.

COUNCILMEMBER BAISA: Good afternoon, Chair.

CHAIR CRIVELLO: Good afternoon, Chair. Member Bob Carroll.

COUNCILMEMBER CARROLL: Good afternoon, Chair.

CHAIR CRIVELLO: Good afternoon. Member Don Couch.

COUNCILMEMBER COUCH: Good afternoon, Chair.

CHAIR CRIVELLO: Good afternoon. Member Don Guzman.

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COUNCILMEMBER GUZMAN: Good afternoon, Chair. Thank you.

CHAIR CRIVELLO: Good afternoon, Mr. Guzman. And Member, Mr. Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha --

CHAIR CRIVELLO: Aloha.

COUNCILMEMBER VICTORINO: --and good afternoon, Madam Chair.

CHAIR CRIVELLO: I'd also at this time like to introduce representatives from our Administration. Our Director of Housing and Human Concerns, Jo-Ann Ridaao.

MS. RIDAO: Good afternoon, Chair.

CHAIR CRIVELLO: And her Assistant Housing Administrator, Buddy Almeida.

MR. ALMEIDA: Aloha.

CHAIR CRIVELLO: Aloha Buddy. And of course, our Deputy Corporation Counsel, the hard working, Jeff Ueoka.

MR. UEOKA: Good afternoon, Chair.

CHAIR CRIVELLO: And our hard working Committee Staff, Clarita Balala, Committee Secretary and our Legislative Analyst, Michele Yoshimura. Thank you for being here, Members. Members, we have one item on the agenda today, HHT-11, Residential Workforce Housing Policy. There are no objections, I'd like to start with testimony.

COUNCIL MEMBERS: No objections.

CHAIR CRIVELLO: I'd also like to make mention that we have assisting us this afternoon our fine ladies from our Hana District Office, Dawn Lono.

MS. LONO: Good afternoon, Chair. This Dawn Lono at the Hana Office.

CHAIR CRIVELLO: Aloha, Dawn. And from the Lanai District Office, Denise Fernandez.

MS. FERNANDEZ: Good afternoon, Chair. This is Denise Fernandez on Lanai.

CHAIR CRIVELLO: Aloha. And from Molokai is our Aide there, Ella Alcon.

MS. ALCON: Good afternoon, Chair. This is Ella Alcon on Molokai.

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CHAIR CRIVELLO: Thank you. For individuals who will be testifying in the Chamber, please sign up at the desk located in the eighth floor lobby just outside the Chamber door. If you will be testifying from the remote testimony locations specified on the meeting agenda, please sign up with Council Staff at that location. Testimony will be limited to the items listed on the agenda today. And pursuant to the Rules of the Council, each testifier will be allowed to testify for up to three minutes per item, and we just have one item, with one minute to conclude if requested. When testifying please state your name and the name of any organization you are representing. At this time, I'd like to call on Lucienne de Naie as our first testifier, and following her is Doug Spencer.

...BEGIN PUBLIC TESTIMONY...

MS. de NAIE: Thank you very much, Chair Crivello, and good afternoon, Members of the Committee. My name is Lucienne de Naie. I am testifying as an individual. I brought a little show and tell. We're looking at changing percentages and this is kind of what this would look like in color. You see a top line. What you see in green are anything that would be under \$500,000 which we're loosely calling affordable. That goes up to about a little over 100 percent of HUD. What you see after that are things that are 120 and 140 are so-called above moderate and gap housing. And what this clearly shows is that when you change from the range of 50 percent to 25 percent you basically go from every 100 houses you build having 30 that might be affordable to someone here and then another 20 that might be affordable to someone here who makes a very good salary to about 15 that would be affordable to the very average person here. I just wanna share a couple of things that I've heard recently. I went to the FACE Housing Forum and there were eight individuals there running for the Council who spoke about affordable housing and their views and there was concurrence among those eight people there, two former Council members, and two sitting Council members that if we didn't have any policy, we probably wouldn't have much affordable housing. So I think we need start there. I also heard there that the County could really help by doing what the County had done in the past, identifying areas where land would be available and then private developers could just be, you know, put in a bid to develop affordable housing there that Maui County has always done this up until the 1990s and it produced thousands and thousands of affordable houses many of which are occupied by our friends and families. I also attended the task force that's gonna report out today. I was not a voting member, but I sat in and listened. I heard some interesting things there. One thing I didn't hear there is how many affordable units we might need. So I did look up for myself. We do have a State Housing Plan. It was done in 2011. It has a section on each county. This plan estimated that for Maui County by 2016 which is around the corner we would need about almost 6,000 new units, some rental, and some for purchase to satisfy the need for...in the affordable range, this is up to 140 percent of HUD, so up to \$600,000 range. Also, senior housing was needed. So I did a little bit of math and said, okay now if you're gonna have a 25 percent requirement that means you're gonna need to build 22,000 units between now and whenever --

MS. YOSHIMURA: Three minutes.

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MS. de NAIE: --these people need, need housing in order to get this 5,600 homes for our families. That's 13 million gallons of water. It's a lot. So when you're changing percentages, you're basically saying we just have to build a whole lot more and have a whole lot more people buy these. We don't know exactly who they're gonna be. Maybe they're people coming here from someplace else. Maybe they're people that already live here that just have incomes we've never been aware of before and they're gonna scrimp and save. But it's a very interesting big picture view. I wanna conclude by saying the most interesting thing I heard at the task force and I'm sure you guys will all get a kick out of this, was that when people come up to talk about their development projects, the people that talk to you about the development projects are not the people who build them. So they make promises that result in conditions that the people who build them may never be able--

MS. YOSHIMURA: Four minutes.

MS. de NAIE: --to actually satisfy. So take it at face value. Thank you.

CHAIR CRIVELLO: Thank you. One moment, Lucienne. Members, any clarification or comments or questions for the testifier? Thank you. Doug Spencer, followed by Stan Franco.

MR. SPENCER: Good afternoon, Council Members. Doug Spencer on behalf of Spencer Development and the Spencer family. And congratulations by the way to all those who got reelected. Some was a little bit more nail biter than others but congratulations each and every one of you. You know we talk about affordable housing. I know this bill is reducing the percentage from 50 down to 25 which I think is a commendable, you know, goal to have. It's a step in the right direction. But what occurred to me is I come to these meetings and I hear affordable housing, here's what the problem is. I don't think we have clearly, definable goals as to what affordable housing means. As Lucienne talked, well you need rentals, we got senior housing, we need single-family housing, all these things comprise what we call affordable housing. And so when we come here, we need to define what's the goal. If you don't have a goal, you'll never get there. I would like to look 20 years younger, that's a nice goal to have, but how am I gonna get there? And so really what I want you guys to focus on is this, how badly do you want to do something to achieve what the goal is you want to achieve? And I've never really heard from the Council what's your goal. Do you wanna build 500 affordable housing units in the next year? Do you want to build 1,000 in the next two years? What is your goal because I've never heard that. We've heard from Lucienne what the State says we need 6,000. You know what's interesting is according to the 2011 Census there were 70,000 housing units in Maui County, 60,000 of which were occupied, and I think the other 10,000 I believe were vacation, you know, homes for people. So if we're to provide 6,000 new housing units, we have to build 10 percent more than it's been here since they started counting housing units. That's a big, big, big project to have. So the question really becomes is, is what you're trying to do today reducing from 50 to 25, and I've got my opinion on whether that's going to accomplish things or not but I'll keep it to myself like I promised I would do. And so, people I would say to you if your goal is to provide affordable housing for all the people who really need it in Maui County or most of them this

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vehicle won't get you there. It just won't. I'm being honest with you it won't get you. It will get you some, but it's not going to get you there. You're on the wrong train. If you want to get on the train to take you to taking care of the affordable housing...it's not even a problem, it's a crisis. We're way beyond the problem stage by the way. You've got to change your way of thinking. So you're looking over here and you're digging this 500-foot hole looking for some, you know, gold nuggets we call affordable housing, you got a whole pot of gold behind you, you're not even looking at. We can accomplish the goal, but we have to do it a different way. You know, I've a got a plan, it takes way too much time to talk about here in three or four minutes, but I'll be more than happy to sit down with any one of you who want to listen to it because it can be done.

MS. YOSHIMURA: Three minutes.

MR. SPENCER: We're doing it. And we get no government subsidies. We're not doing it because of Chapter 2.96. That doesn't do anything for us. We don't need 2.96. It can be done. The County can actually do it. You know, it breaks my heart, we see all these families coming into our office. You know we got some of our buyers coming in, I mean, it's just refreshing to see these people coming in with their families, you know, and they're excited. These are not new people moving in. You know, we build affordable housing; we don't sell to new people. These are existing local working families who are doubling up. I mean, if you read the reports from the State Housing Report it talks about the crowding and doubling up on Maui. These people...I took my son out looking for a room to rent, \$675 to rent a room in somebody's house, and there's ten people lined up to rent it. We've got a problem here guys. We've got a crisis here. And we can fix the problem. You know our local families deserve a lot better than what we've given them. They really do. I'm not blaming you guys, okay.

MS. YOSHIMURA: Four minutes.

MR. SPENCER: But they really deserve better. And so, my plea to you and really is a plea is to...let's look the right direction to fix the problem, to fix the crisis that we have because it can be done, but this is not the solution to it. It really isn't. I mean, it's a step in the right direction, but it's not the solution.

CHAIR CRIVELLO: Thank you. Just a moment, Mr. Spencer. Members, any questions or clarification for the testifier? If not, thank you. Following Stan Franco is Thomas Douma.

MR. FRANCO: Dear Chair Crivello and Committee members. I'm Stan Franco, a Deacon in the Catholic Church and a Haiku resident. I speak for FACE Maui. When I was here on September 18th, you voted to form a task force to discuss the proposed amendments because of the testimony you had received from members of FACE Maui. The Committee members seem to agree that the ten recommendations of the Maui Nui Task Force would be a starting point and I agree with the recommendations. I was excited that finally after 30 years of working on the affordable housing issue, our ideas would be heard and worked on. From the very first meeting of the task force it became apparent to me that our presence would mean nothing. The Maui Nui

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Task Force recommendations touted by Cousin Gladys were said to be unworkable. We made proposals which the other task force members said was not simple enough. At the following meeting we presented a simple table to show our proposals and those too were not considered. Personally, I am very upset on how several task force members dismissed without discussion the ten recommendations of the Maui Nui Task Force and the proposals of FACE Maui. Before the fifth meeting, we received the proposed amendments of the task force. There were multiple changes to the amendments proposed at the September 18th meeting, and our proposed amendments were not included. So when the fifth meeting was called by Chair Lee, we took the only avenue open to us. To recuse ourselves from the final decision making on the proposed amendments. Even though we are totally disillusioned by the task force process, we are still here to work with you on a compromise. For example, several of the developers and others expressed their concern about the 50 percent affordability requirement. After discussion with several Maui clergy and lay leaders we could agree to a lower percentage of 30 percent. In return, we ask that the income range be adjusted down from 80 to 160 to 80 to 120. That adjustment would mean the developers would build less affordable units, but those units would be targeted to the income range of the most need. In addition, we propose that FACE Maui would consider the engagement of a national company specializing in municipal affordable housing legislation to help us to create a residential workforce housing ordinance which considers all interests. We are not here to subject to any one particular interest not ours, but we're working to try to find a compromise. We agree with you that the Residential Workforce Housing Policy needs to be simplified--

MS. YOSHIMURA: Three minutes.

MR. FRANCO: --so that all included, developers and Maui residents can know what is expected. We are ready to work on making affordable housing for Maui's people possible and we like what Doug is talking about. We have to talk to him and we'll be talking to others as well. All we ask is that you meet us halfway. Thank you.

CHAIR CRIVELLO: Thank you, Mr. Franco. Members, any questions or comments for the testifier? Thank you. Following Thomas Douma is John Andersen.

MR. DOUMA: Good afternoon, Chairman.

CHAIR CRIVELLO: Good afternoon.

MR. DOUMA: My name is Tom Douma. I'm a local Hawaii general contractor. I'm a previous member of the Board of Directors of Na Hale O Maui Community Land Trust. I'm a current member of the Board of Directors of Malama Housing Network, a 501(c)(3) promoting affordable housing, and I'm a member of the Board of Directors of Fabmac Homes. I'm speaking here today regarding proposed changes and I have only three items to do, to talk about. One is the number of affordable housing credits which may be granted a project that is designated 100 percent affordable. This current proposal proposes to reduce this to 50 percent. I'm in support of leaving it at or actually increasing it to 100 percent of the number of units

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would each be granted an equivalent affordable housing credit. It's extremely difficult to put together affordable housing projects and this type of incentive is extremely important in my opinion having tried this several times to make the economics work and I strongly support that you grant a 100 percent affordable housing credits, in other words, one for each unit within a project designated as 100 percent affordable. Secondly, that these affordable housing credits be transferrable with any district within the County of Maui without restriction. I know the Council likes oversight and there may be some instances of an unusual consideration. And so I would suggest perhaps as a compromise that these credits be transferrable unless a majority of the Council votes to intervene and hold hearings on the transferability of those credits. Thirdly, regarding housing in perpetuity. We've seen previous affordable housing projects which had been granted subsidies allow those purchasers to then sell those units at market rates and thus losing those houses out of the affordable housing pool. As we all know we have a finite amount of land, water, and resources here and each year it becomes increasingly difficult to put together an affordable housing project. My recommendation is if granted subsidies or it be part of the affordable housing or Workforce Housing Act that those houses remain affordable in perpetuity. A technique for that might be to tie the resale of any of those units to the same income category. In other words, if someone was in a 100 percent...what am I trying to say...100 percent of the average HUD income category when they purchased the house that house could only be sold to someone in an equivalent income category. This would allow for --

MS. YOSHIMURA: Three minutes.

MR. DOUMA: --some inflation as wages inflate, but it would still keep the houses in an affordable category in perpetuity. And finally I'd like to urge you to consider the use of modular manufactured housing. We have found in working with these that they tend to be less expensive by close to 30 percent. We consider them to be of higher quality than site built construction. They tend to last longer and they get put up in about three to four months so it saves an enormous amount of time when developing a project. Thank you very much for your time today. I appreciate your consideration.

CHAIR CRIVELLO: Thank you. Members, any comments or clarification for our testifier? If not, thank you, sir.

MR. DOUMA: Thank you.

CHAIR CRIVELLO: Following Mr. John Andersen is Jeannie Wenger.

MR. ANDERSEN: Good afternoon, Committee members and Committee Chair Crivello. My name is John Andersen. I'm the Executive Director of Na Hale O Maui, our community land trust, and I am testifying on behalf of our organization. I would like to start out by thanking the task force. You had a short period of time to discuss a whole lot of complex issues, and I have reviewed the draft that is before us today and you've done a very, very good job. There are a lot of things that were addressed that needed to be addressed. The credits, the percentages of the different AMI categories and all of that. Very, very good job, and we certainly approve of all of that.

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However, there is one area that I found that is an exception and I have to use my testimony today to address that. And it's Section 2.96.060(B)(2)(g), it's the foreclosure paragraph. And it reads, "In the event of foreclosure, the lender shall offer the County the opportunity to purchase the unit from the lender for an amount negotiated between the County and the lender. If a negotiated price cannot be agreed upon within 30 calendar days the lender may sell the unit without any deed restrictions". The intent of this clause is very good. I understand that, unfortunately as the expression goes the road to hell was paved with good intentions and this is a fatal flaw in the draft that you have right now. We've been down this road with lenders because our ground lease contains many restrictions in it and the only way lenders will lend on community land trusts is with the Fannie Mae rider which Fannie Mae designed to negate any and all encumbrances on foreclosure. Lenders will not make a loan if they cannot enforce their security directly, quickly, and through the systems that they use. There is no system that the lenders have to negotiate with them in foreclosure because in fact foreclosure starts with a notice of default and the homeowner still owns the home, and under our judicial foreclosure will probably be in it for two more years. The lender doesn't have anything to negotiate about. They don't own the home until it goes through the foreclosure process and becomes an REO, and at that point the foreclosure department ships the file over to the REO department and they rarely talk to each other and there is no mechanism to accomplish what you would like to see here. Good intentions, but it could become the fatal flaw that would allow lenders to say, no I'm sorry, we're not going to make loans on this property. I think the clause should be deleted in its entirety because once again, a lender will not accept any encumbrances on their ability to foreclose. We have to at the Land Trust accept the rider that negates any of the provisions in our ground lease that attempt --

MS. YOSHIMURA: Three minutes.

MR. ANDERSEN: --to carry on any rights or conditions or resale restrictions. They're all out the window in foreclosure. Thank you for considering this.

CHAIR CRIVELLO: Thank you, Mr. Andersen. Members, any questions, comments for the testifier? If not, thank you, sir.

MR. ANDERSEN: Thank you.

CHAIR CRIVELLO: And Jeannie Wenger, and following Jeannie, I will check with our District Offices if they have any testifiers.

MS. WENGER: Good afternoon. My name is Jeannie Wenger.

CHAIR CRIVELLO: Jeannie. I apologize, Jeannie.

MS. WENGER: That's okay. Okay, so I am a real estate agent. I have been involved in the real estate business since 1978 in many different formats. I worked for a contractor, I worked for title and escrow, and I have been an active real estate agent since 2006. Right now the median home sales price for a three-bedroom, two-bath home in Maui County is roughly \$570,000, okay. Now

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we've all heard Mr. Paul Brewbaker, the economist speak and he likens our real estate values to Orange County. What is different about Orange County and Maui County is that our salaries don't match what people get in Orange County.

COUNCILMEMBER CARROLL: Address the Chair.

MS. WENGER: Yes. Right now I would suggest to you that most people here are making somewhere between twenty and forty thousand dollars a year on their first job, and with two jobs they're probably making if they're lucky sixty to eighty thousand dollars a year. If you do the math and figure out what people can afford, it is pretty much between two-hundred and three-hundred and fifty thousand dollars priced home. So affordable means very different things to different people. But I would suggest that most of our Maui County residents that is what affordable means, under \$350,000. At least when I take them to be prequalified with a lender that is what I am told that they can pay based on their salaries. I think that we should address an incentive program for our contractors because as we know this 50 percent is not working. I think that we would get contractors if they were allowed to do the math and present to the County how it would work, how it works in terms of the cost of construction, and all the entitlements that are needed to build these homes. I think that they could tell us better what they could do especially if they were provided some sort of tax incentive. And so I would encourage us not to make a restriction and say, 50 percent, 25 percent or any number like that, but rather to come up with a plan to incentivize the contractors so that they can make sense of it. I don't think that we are right in believing that contractors are greedy, selfish people. I don't think that that is a true picture of the contractors that I've known and worked with. They're very hard-working people and they actually have some altruism, they'd like to see everyone in these homes. So let's look at it from a different angle and come up with a different formula. Thank you so much.

CHAIR CRIVELLO: Thank you, Jeannie. Members, any comments or questions for the testifier? If not, thank you. I will be checking with our District Offices. Ms. Lono, any testimony from Hana?

MS. LONO: The Hana Office has no waiting to testify, Chair.

CHAIR CRIVELLO: Thank you. Ms. Fernandez, anybody wishing to provide testimony from Lanai?

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

CHAIR CRIVELLO: Thank you. And, Ms. Alcon, is there anyone wishing to provide testimony from Molokai?

MS. ALCON: There's no one here on Molokai waiting to testify.

CHAIR CRIVELLO: Thank you. So, ladies, should any...I will continue with our testimony here in the Chamber. You can e-mail Staff if anyone should show up for testimony. Thank you. Our next testifier, Ron Wilson, followed by Ryan Churchill.

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MR. WILSON: Aloha, my name is Ron Wilson. I'm a realtor with Century 21. I'm the broker of the Wailea office. I've been a broker for 24 years. I lived in Hilo for ten years before coming to Maui and worked with a lot of first-time buyers and a lot of people who were really struggling to build...afford a home, but on the Big Island and especially the Puna District, you know it was fairly affordable even at that time. But they had to struggle very hard to, you know, put together the down payment and qualify and cut back on expenses and you know the whole families had to pull together, but once they got in a home I never found anyone who was not happy that they'd made those, you know, those choices to be able to get in there because a lot of people waited to have a family until they actually had a home where it was safe place rather than a rental somewhere. A lot of them had, you know, kupuna and family that they were bringing to live with them as well, and, you know, once they were in their home they really flourished. When I moved to Maui in 2000, I was, you know, I was quite surprised by the prices here because they were much higher than obviously than they are in Puna which is the most affordable part of the island of the State and I saw what a struggle it was for people to afford homes here. You know, for people who are, you know, working for minimum wage or a little bit better than that it's almost impossible. And, you know, but some of them were still able to do it. Unfortunately, during the crash, you know, the first-time buyers and the local folks were the first ones that got hurt. They were the first ones to, you know, lose hours and jobs, weren't able to make their mortgage payments, you know, got foreclosed on, and they were pushed back as...into renters and now the rental market is so tight and so expensive that a lot of them are, you know, having to look elsewhere. You know, they're thinking you maybe we can't make it here on Maui and that's sad that, you know, our own, our own keiki and grandkids can't stay here because they can't afford it. So they, you know, there's opportunities on the mainland, and we have a brain drain of just people with talents, you know our best and brightest who go, you know, sometimes they go to college on the mainland, they see what the prices are, they see the opportunity, and they decide to, you know, raise their families there. And that's, you know, that's hard to see because, you know, I love being here and I love you know being part of the local community and to see so many people, you know, leaving is tough and having a hard time. So, you know, I wanted to support what you're doing and that you're addressing this because obviously I...you know we all know the history. It's been six years since the current rules were instigated and, you know, the proof is that we really haven't had any affordable housing constructed since then for, you know, lack of a better term it's not been successful. I was originally trained as an engineer and in engineering if you have the result that you want to change you look at the variables and there are not a lot of variables in this bill. So obviously changing the percentages of a required affordable housing for the developers is one thing that you can change and obviously you are considering that. So I just wanted to encourage you, you know, to, you know, stay forward, keep going with it because, you know, there's a lot of other things obviously other people have spoken and have some other suggestions, but right now we're dealing with, you know, the bill that's --

MS. YOSHIMURA: Three minutes.

MR. WILSON: --on the table. So I just appreciate your taking the time to, you know, hear our testimony, and thank you very much.

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CHAIR CRIVELLO: Thank you. Members, any clarification or comments for the testifier? If not, thank you, sir. Following Ryan Churchill is Rosemary Robbins.

MR. CHURCHILL: Good afternoon, Chair --

CHAIR CRIVELLO: Good afternoon.

MR. CHURCHILL: --and Members of the Housing Committee. My name is Ryan Churchill with Maui Land and Pineapple Company. Thanks for the opportunity to testify on the proposed revisions to the Workforce Housing Ordinance. We appreciate the effort the Committee has made to improve the policy and we support the proposed revisions. As you are aware the existing policy has been a failure yielding few affordable housing units built under it since its passage in 2006. We believe this is primarily due to two reasons. First, the workforce housing requirement percent is too onerous. The 50 percent workforce requirement units over \$600,000 which is about the median price of a home makes most projects unviable. Second, the deed restrictions required to be placed on the affordable housing units make the units unmarketable to buyers even at affordable rates. Under the current workforce policy home builders are required to build units they can't sell and buyers can't finance. We believe the proposed changes if passed address the above shortcomings and vastly simplify the policy. The proposed changes will significantly improve the policy and ultimately lead to the creation of more workforce housing. I'd like to also add what Mr. Andersen mentioned earlier is that foreclosure language is critical and should be looked at closely 'cause it does impact again the financeability of these homes for the eventual buyers. Thank you.

CHAIR CRIVELLO: Thank you. Members, any clarification or comments for the testifier? If not, thank you, sir. Following Rosemary Robbins is Robin Lindsey.

MS. ROBBINS: Good afternoon, everybody. Rosemary Robbins, concerned citizen. I'm trusting that everybody that's here today pretty well has a roof over their head, not true for all of our folks. Just would like to point out that the Government Affairs Director for the Realtors Association of Maui submitted testimony on the 18th of September. And in that communique, the person said that one of the reasons that Maui is not building enough affordable housing is our, quoting "lack of investment and domestic water", end of quote. And again, a quote, "we need to create necessary water sources", end of quote. I'm really convinced that there's nobody under this ceiling who thinks that that's not accurate. And he should know, he spent time with the Upcountry Oversight and Advisory Committee required by the EPA to address water problems in the early 2000 some time. So I just would like to give a broader picture to sort of encapsulate what previous testifiers have said. The actual original Residential Workforce Housing Policy, Chapter 2.96 in the Maui County Code was established in December of '06. That was just after the election in November in, excuse me, in '06, and I'm looking around and I'm seeing that a lot of the folks that were involved including the same Mayor, but that were involved at that time on the County Council are here. So this is not news to anybody that's on this side of the railing here. I would like to point out that I came down yesterday and went through the binder on the

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seventh floor, came down today, and brought a ruler with me. The papers there accumulates to over an inch and a half thick. So some of us who have been around reading these for many years knew most of what was in there, at least the gist of it. It would be to people's opportunity to go and read certain pieces of that, and I've just identified some of them to go through that and not have to deal with that whole depth of paperwork. On March 13 of 2014, there is a sheet in there that compares --

MS. YOSHIMURA: Three minutes.

MS. ROBBINS: --the original time from '06 to now, and it was written by one of this morning's previous testifiers and it's excellent. So when you go to that binder take a look at March 13, 2014 for the scope that has happened on that. The current ordinance recommendation is in that folder identified by color as blue, black, and red in there so it's easy to find. That binder is on the seventh floor, remember in this building. And I just would point out the concerned citizens are asking how much of affordable housing, keeping in mind that affordable on Maui is ...*(inaudible)*... a lot lower income that the Housing Urban Development, HUD, identifies. So concerned citizens are asking how much affordable housing has been built since December of '06.

MS. YOSHIMURA: Four minutes.

CHAIR CRIVELLO: Thank you.

MS. ROBBINS: You're welcome.

CHAIR CRIVELLO: Members, any clarifications or comments for the testifier? If none, thank you.

MS. ROBBINS: You're welcome.

CHAIR CRIVELLO: Following Robin Lindsey will be David DeLeon. And following Mr. DeLeon will be Tyler Dos Santos-Tam.

MS. LINDSEY: Good afternoon, everyone. My name is Robin Lindsey. I'm here today with...I'd like to be a part of FACE Maui. I think the reason that we're here today is to vote on the proposed amendments of the Workforce Housing Ordinance. And I'd like to just go over a couple of things. I have three things actually. This is one of them. The...first of all, the deed restriction units, I'd like to keep that at 30 years. The in-lieu fees, I'd like to retain the existing language on that. In-lieu land I'd like to have Council approval. 201H credits, I'd like to retain the current language on that, on that issue. Also, the restrictions and ownership, I'd like it to be 25 years with the new progressive equity formula. Foreclosure issue, that is also being discussed today, I'd like to have the County to have the first option for 30 days. And reviewing...review requirements, I'd like to have the annual director's report be available to the public before the hearing where it's discussed, and then also, the developer manager's report also be available to the public. So those are just a couple of the things that are being voted on today. And I have

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three things actually. That was one. The second thing is, I grew up...I just wanna tell you in one of the most affluent major, major areas in Southern California, Montecito, California. And across the street and down two mansions, not these McMansions that pop up out of fields, real mansions was the Governor of California who was Reagan at the time, and we lived in a pretty nice house, three...not three, four bedrooms...well, three bedrooms and an office, and three bathrooms and I realized the other day, I grew up in workforce housing. Down the street was the Governor and here I am growing up in a beautiful neighborhood, and I just want other children and families to be able to experience that, that same kind of security and that same thing. Wait, I had something...I had a third thing...no, anyways, no, I'm good. But anyways, no I want, I want other families to be able to grow up in that same way. So yes, I grew up in workforce housing in Montecito, however. Oh, my dad used to say --

MS. YOSHIMURA: Three minutes.

MS. LINDSEY: --oh you don't like your chores or your bedtime, go tell it to the Governor. Take your little fanny over there and see what he says about it. So anyway, I could have, but I didn't. So thank you, I'm done.

CHAIR CRIVELLO: Thank you. Members, any questions or clarifications? If not, thank you. David DeLeon and then Tyler Dos Santos-Tam, and following Tyler is Sherri Dodson.

MR. DeLEON: Good afternoon, and aloha. I'm Dave DeLeon representing Maui's 1,400 licensed realtors. The Realtors Association of Maui respectfully requests that the Council act to amend the existing nonfunctional Maui County Workforce Housing Ordinance. RAM has been an active part of this community discussion for the last decade. Because we deal with housing day in and day out we know how acute the lack of affordable housing is on Maui. It was bad back in 2004 when this discussion started and it's worse now in large part because of the dysfunction caused by the existing ordinance. Available evidence suggests that we are actually falling behind. According to the State Department of Health Vital Statistics in 2013, there were 900 new families formed in Maui County. But according to the Maui County records, there were only 400 building permits issued for new homes. So that makes you wonder what happens with those other 500 families. But it's gonna get worse if action is not taken. While there are, there are homes still being built on Maui nearly all of the projects are entitled, were entitled before the existing ordinance was enacted. Sooner or later we're gonna run out of that reservoir of preexisting projects, and we'll need new projects to meet the new demand. But experience shows that that will not happen if the existing ordinance remains in place unamended. I participated as a member in the recent task force discussions on the proposed draft measure. While I cannot speak for the other members of the task force, my personal approach to the work was to simplify the existing law, reducing or eliminating unnecessarily high regulatory hurdles in order to give developers a better chance at creating projects that will produce affordable homes, projects that will pencil out. The task force proposal brings our County's Workforce Housing Policy in line with those of the other counties. I do agree with Mayor Caldwell and FACE that something drastic needs to happen, but like Mr. Spencer I'm not convinced that that's gonna happen through this ordinance. Nevertheless, RAM believes what needs to happen now after

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nearly two years of effort is that this Council enact basic reforms to the existing ordinance so that developers can continue providing...to providing affordable homes so they can get to work and create...and so we can get to work and create a program that will truly incentivize development of homes that our families need.

MS. YOSHIMURA: Three minutes.

MR. DeLEON: Mahalo.

CHAIR CRIVELLO: Thank you. Thank you, David. Any clarifications or comments, Members? There being none, thank you.

Mr. DeLEON: Thank you.

CHAIR CRIVELLO: Tyler Dos Santos-Tam, Sherri Dodson. Following Sherri, Jonathan Starr.

MR. DOS SANTOS-TAM: Good afternoon, Chair Crivello and Members. I'm Tyler Dos Santos-Tam. I'm the Executive Director of the Hawaii Construction Alliance which represents the State's 15,000 unionized carpenters, laborers, cement masons, brick layers, and operating engineers. We recognize the great need for affordable workforce housing throughout the State of Hawaii and particularly here in Maui County. This is not an issue that is unique to one island or another. But I think what is unique is the current policy here in Maui County is very, very restrictive and has curtailed the amount of affordable units which are being supplied to meet the demand as has been pointed out by many people who have spoken before me. And the current state of Maui County's housing market was described in the Hawaii Housing Planning Study which was prepared for the County of Maui back in 2011, and the study contained a number of conclusions which underscore both the need for more reasonably priced housing for local residents and it also underscores the fact that the current policies have not produced sufficient numbers of affordable units for people in the workforce. And so it's very clear that this policy is not working and so we encourage your Committee to thoughtfully consider the alternatives found before you today in the proposal that has been worked on by this taskforce. You know, these changes include many different policies which include subjecting any proposal with ten or more units to a new policy, adjusting the number or percentage of units required to be produced, allowing projects to receive certain credits, and adjusting the time for which deed restrictions apply. And I think taken together, you know, these policies really represent a step in the right direction. You know they may not be perfect and there may be disagreements along the way between groups on one side of an issue or another. But I think what we all really wanna do here is come up with a more sensible policy. And so the one you have before you, the one that the task force worked on we believe is a great step in the right direction. So we encourage you to thoughtfully move that forward and get started on addressing this real need in the community. Thank you.

CHAIR CRIVELLO: Thank you. Members? Thank you. Sherri Dodson, followed by Jonathan Starr, and following Mr. Starr is Kellie Pali-Cruz.

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MS. DODSON: Aloha, my name is Sherri Dodson. I'm the Executive Director of Habitat for Humanity Maui. Habitat has been building and renovating homes here on Maui for over 15 years for, especially for the very low income, 80 percent and below. With our latest project, the Kahawai Project, we will have served 100 families here on Maui. Habitat works with families that are 80 percent or below income, basically those who would probably never qualify for a conventional loan. We do homeowner education, counseling for anyone who is seeking the dream of home ownership. Those include those who fall between 80 and 140 percent median come. My father was a contractor here on Maui during the early '70s. We moved from Oahu to Maui during the construction boom and our family has watched the housing market go up and ultimately go down for the last 40 years. I, myself bought a home in the early '70s and I lost it. I was essentially homeless. I had a medical condition that prevented me from being able to pay my mortgage. I was forced to move back in with my parents at the age of 37. I started over and I was able to buy a starter home from Betsill Brothers in the early '90s. I do what I do because I'm passionate about putting people in homes, especially hard-working families. I speak from my experiences and I speak from 11 years working with really great, hard-working families. I felt honored to be asked to be on the task force to look at the current residential housing ordinance. I was also on the Maui Nui Affordable Housing Task Force in 2004, and that task force and the resulting Residential Workforce Ordinance was greatly well intended but really didn't affect the housing market. In working with the other members of the task force, all of whom I respect, we had the goal of working toward an ordinance that would encourage more developers to get back into the residential housing market. Habitat relies on developers to partner with so that we can be a part of the solution. Habitat is approached by developers because we have a track record of being able to build simple, decent housing for families below 80 percent of median income. Many developers want to include these income groups. Habitat doesn't have the resources on our own and can only ask the County for so much money, so we must rely on developers to include us in their projects so that we can have access to land. The Kahoma Project is a prime example of that where they're serving 25 to 140 percent median income. In order to get affordable housing built, we have to get contractors and developers to build it. When residential housing is being built then the affordable units are built. If developers can't make the numbers work, then they won't build, and no housing will result. Habitat and other nonprofit developers like Na Hale O Maui we can only do so much. We need to encourage contractors and developers to build.

MS. YOSHIMURA: Three minutes.

MS. DODSON: I feel that the task force recommendations will be a start to encouraging the return of residential building contractors and that's what we need to be able to have more affordable housing for our working families here on Maui.

CHAIR CRIVELLO: Thank you. Members, any clarifications or comments for the testifier?
Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Madam Chair, and thank you, Ms. Dodson, for being here. Question for you, you know you do all the education and whatnot and you have a zero percent, I

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believe a zero percent loan? When they sell the house do they...do they sell it? Is it their own and they get to do whatever so it goes into the market or is it something you guys buy back and try and keep it at an affordable rate/

MS. DODSON: We do have a silent second on all the units we build. We do believe in shared equity. The silent second is the difference between the market value and we appraise all our houses at the completion of construction and what we sell it for. So if we sell a house for \$200,000 and it's appraised at \$300,000 then the silent second is 100,000. Their equity is...the silent second is forgiven by a percentage every year. So that just like when I bought my house with Betsill Brothers, slowly I grew equity into it by paying my mortgage and by, you know, the value of the house going up. But the reality is, none of our families try to sell their house. Our families have waited so long to get a home and it's their investment, it's their retirement. It's their gift to their children. They keep their houses. They don't sell 'em. They know just like I do when the housing market was huge here, my little three-bedroom, two-bath starter home from Betsill Brothers was appraised at a million dollars. Well what could I do? I couldn't sell it, 'cause where would I go 'cause every other house was valued at a million dollars. So when you get into your house, you stay. You know, my house is my retirement. I work for a nonprofit so I don't have a pension, so it is my retirement. And if I can't pull money out of it at the end, then I have nothing, and that's what Habitat believes is that our families shouldn't really be treated any different than somebody else trying to get into the housing market. They need that as their investment and they need to retire on it or they need to pass it onto their kids.

COUNCILMEMBER COUCH: Thank you, Chair.

CHAIR CRIVELLO: Thank you. Thank you, Ms. Dodson. Jonathan Starr, following Mr. Starr, Kellie Pali-Cruz, and following Pali-Cruz is Drew Astolfi if I'm saying that right.

MR. STARR: Good afternoon, County Council members. Thank you for pursuing this. I'm Jonathan Starr. I'm here as a property owner in Wailuku, and I thank you for assiduously working to move this forward. I was an early proponent of having this legislation years ago. I think it does need tuning. It has not resulted in more affordable housing, and I hope you can find the right ingredients to really make it, make it functional and work in creating housing for people in our community. I thank you for help with Wailuku with what we're trying to do. Wailuku is unique. We have a very high percentage of affordable housing, but we don't have much stock coming on line in rental units for people who work for government and hospital and stuff. There are 25,000 people working in the area. I had an eye-opening experience this last Saturday on Oahu. I attended a FACE Housing Summit at the Capitol and really learned a huge amount. And as I get deeper into learning what it really will take to build housing, rental housing that's affordable and workable, I realize how many moving parts there are to it between financing and also things like community design, because what's an affordable lifestyle. You know, if there's an affordable price on a house but the family has to spend so much money on transportation or utilities or other costs then the lifestyle isn't affordable. I think we need to deal with community design and many other factors, and I hope we're going to be able to move past what the bill we're working on now and get a lot deeper into the subject of what we can do to really solve the

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problem of providing housing for all the people who work and have other needs for housing in Maui County. And I hope we have maybe some kind of partnership. FACE just did it on Oahu and it was really a great experience and maybe there's a way to do something like that on Maui to help kick start that process. So thank you, Chair, thank you, Members, and I wish you well in getting this worked out so everyone feels it's right.

CHAIR CRIVELLO: Thank you, Mr. Starr. Any clarifications or comments from Members? Thank you. Kellie Pali-Cruz, Drew Astolfi. Following Mr. Astolfi is Alice Lee.

MS. PALI-CRUZ: Hi, Chair Crivello. Hello, aloha, everyone. Thank you for having me. Thank you for everyone's effort and support in just putting time together to do this. I know that everyone shares the goal in moving forward with the affordable housing and I just, I really appreciate Maui coming together. For the last seven years we do know that the Residential Workforce Housing Policy has required developers to set aside 50 percent of the homes to build for affordable housing. There seems to be no other municipality in the United States with such a high requirement of this exclusionary housing policy. I must quote John Andersen 'cause I just love it. He states it best, 50 percent of nothing, well, it is still nothing. So lowering it to 25 percent, although still very high, may be just what we need to encourage the developers to be able to work with us. While Maui County has approved a few affordable housing projects over the past few years, there has been little evidence of the projects progressing beyond the entitlement stage. So I, Kellie Pali-Cruz, businesswoman in Kihei, owner of my commercial suite, owner of my residence, mother of four, also a Go Maui member, I do support the proposed revisions to ensure that Maui County residents have a place they can call home. Also, the proposed occupancy restrictions of eight years, ten years, and five years seems reasonable and will still allow the families to have access to one of the main benefits of home ownership and that's their equity. Equity in a home will allow for expansion, upgrades, funding college, and future investments. And if you recall, a future...a past testimony I had, I bought my first home in 1999. I bought it at that time for \$200,000, about 189,000. They were building new homes across the highway in Kihei, brand new for about 205-210. I was buying 12-year-old home at 200. I still made the investment and because of that I was able to access my equity five years later, buy another property, build, and also pull out money later to buy my commercial suite which I can...I have my business in. I still have that home, I still live in that home, I have not sold it. I, too, had an appraised value at that point of about 750,000 I think. It did make me want to sell it. In the end, you still need a place you can call home, and I, too, plan to pass my home to my children. So equity is important to everybody, and everyone should have access to that. The last point is the deed restriction. I am a mortgage broker. I've been lending here in Maui County for 14 years, and I can tell you that that does need to be revised. Giving the buyers an opportunity to shop a loan is essential for homeownership. Thank you.

CHAIR CRIVELLO: Thank you. Members, any clarification or comments for the testifier? Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Madam Chair. And thank you, Ms. Pali-Cruz, for being here. You talked about the deed...are you talking about the foreclosure provision?

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MS. PALI-CRUZ: Yes, I believe it's...I have it here, Page 8, when...if there was foreclosure. I'm giving Maui County 30 days or however many days to be the first option to buy.

COUNCILMEMBER COUCH: Can you clarify how that would harm --

MS. PALI-CRUZ: Sure.

COUNCILMEMBER COUCH: --the buyer?

MS. PALI-CRUZ: I believe it was also John Andersen that stated early in his testimony and I can concur with it. Fannie Mae and Freddie Mac are basically the housing organizations that defined our policy for mortgages. It makes a mortgage a qualified mortgage or not. And it's very black and white rules on what allows a home or a mortgage to be considered qualified, and part of that is being able to when a lender puts a mortgage on a home being able to repossess that through a foreclosure process. They cannot do that if there is not a foreclosure process and they take ownership of the property. And so if this isn't revised and it is...passes the way it does, there'll probably still be lending available, but then the clients will be forced to use local banks. There's not really anything wrong with local banks, but when you have anything that you're shopping for, if you limit the resources then you lose the ability to have competitive rates, competitive programs. And if we're talking about affordability, wouldn't you want your buyer to have the best, cheapest rate available? It's not likely that the local banks would be able to provide that if you're knocking out the competitors by this deed restriction.

CHAIR CRIVELLO: Mr. Couch, go ahead.

COUNCILMEMBER COUCH: So you're saying the local banks probably would loan, but...

MS. PALI-CRUZ: So there's another avenue if your loan doesn't...is not defined as qualified mortgage, it's called portfolio lending. That's where a local bank can come in, lend on the loan, and they keep and service the loan forever. Meaning if I got my loan from First Hawaiian Bank and they put it on their portfolio line, I would always be able to go to First Hawaiian Bank and make my mortgage payment. But if I use First Hawaiian Bank and they gave me a qualified mortgage, they might sell it through Fannie Mae and possibly reassign it later on the open market. That's where you get the most competitive rates.

COUNCILMEMBER COUCH: Oh, so the rates would be better if the ...*(inaudible)*...

MS. PALI-CRUZ: Oh, that's like if you decide to shop on Amazon or just shop at one of the local places here. It's likely you could find the product here at a local store, but if you Googled it, it's likely you can save \$10 on Amazon.

COUNCILMEMBER COUCH: Okay.

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MS. PALI-CRUZ: It opens up the lending to national versus just local.

COUNCILMEMBER COUCH: All right. Thank you. Thank you, Madam Chair.

CHAIR CRIVELLO: Thank you. Thank you.

MS. PALI-CRUZ: Thank you.

CHAIR CRIVELLO: Drew Astolfi, followed by Alice Lee. Following Alice Lee is Mark Short.

MR. ASTOLFI: Thank you, Madam Chair, and you got the name right. Thank you very much for allowing me to testify. I'm Drew Astolfi. I'm the Director of FACE Hawaii. I'm actually mostly on Oahu, but I'm here today 'cause our Maui staff is in Washington, D.C. I think the...just some context for this, I think our issue around, on this has been laid up by a number of other speakers who disagree with us on some other things. So just to put the context where we do agree, there's a need for about 6,000 units, more than we have. And if we don't get 'em then some people, the most marginal people tend to fall out of housing which is why I think you see some increase in the number of homeless on Maui versus a couple years ago. So that number 6,000 could be debated, but we think that's a decent number to talk about. And then there's a second thing which we think is an essential thing to understand for the Council and that is that the market, the real estate market in Hawaii is not a conventional market and so the law of supply and demand doesn't work here the same way it would work say in California where you could move around and always go somewhere else to build. Our problem is, and Governor Ariyoshi talked about it a lot in the 1970s, you've got this unlimited number of buyers from outside the State who would come if they could and that drives up the price and that's just gotten worse and worse over the years. That is defining the price that you talked about Ma'am --

COUNCILMEMBER CARROLL: Please address the Chair.

MR. ASTOLFI: --I'm sorry, Jeannie, I'm not sure of your last name, which was that if the average home price now is 570,000 then...and people on Maui, essential workers, most of the people here, 80 percent of the people on Maui can pay between two hundred and three hundred fifty thousand. Then you've got this significant difference, and the difference between what people can afford to pay and what the market will bear is the problem that we have, and the problem looks like if those numbers are correct and I haven't evaluated them at all but just assuming that they are, there's a two hundred to three hundred fifty thousand dollar difference between what people can afford to pay and what the house is gonna be sold for and that's a really serious problem. And that problem, you know, isn't going to be fixed by changing the ordinance in this manner, although I agree with John Andersen that the zero of zero is zero. This ordinance change...the inclusionary zoning in general is one of the only tools that you guys have that can require developers to do some kind of affordability under new construction and I think you ought to require them to do it. I also think if you're gonna require them, then you're gonna have to provide some level of incentives for those developers who are gonna do it. And the reason you have to do it is two-fold. Number one, they won't do it if you don't. We can see that 'cause that

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just happened. And number two, the amount of money we're talking about per unit is pretty significant. If it's two hundred to three hundred and fifty thousand, that's a lot of money for a developer to lose. Stanford's doing pretty well, but I don't think he wants to lose \$350,000 on a new unit. So I feel like there's a...

MS. YOSHIMURA: Three minutes.

MR. ASTOLFI: I'll be quick. So there's...there are the outlines of a grand compromise here. I don't think it would take too much longer to get to it. This proposal today is not that outline. It is too limited, it does not take into account the raft of incentives that need to be included in this thing, and we just need to be a little bit more serious and a little bit more complex about what we're doing. I guess in the Committee there was a whole bunch of discussion about we need to simplify, simplify, simplify. I don't think that's true. I think this is a tough nut to crack and it's gonna take a little more work. We would consider, and Stan Franco mentioned it, paying out of our own pocket for some reputable group that does this kind of legislation for counties elsewhere to come here and give you guys a raft of options 'cause I feel like this isn't it. I hope you don't pass it today, I hope you keep the discussion going, but I don't want to keep it going very much longer 'cause I'm also tired of it, and I can see Jo-Ann looking at me like goodness, I don't wanna do this any longer. So, you know, I don't either, but I think we'll get to a lot better place if we could just work out a couple of these things which are still in contention. Twenty-five percent, 30 percent is fine with us so we don't...we would not get stuck on 30 percent versus 25 percent. We are stuck on the targeting on --

MS. YOSHIMURA: Four minutes.

MR. ASTOLFI: --income levels. I apologize. So 160 percent of median is actually above market on Maui and it's a useless distinction. So requiring people to build above market is not helpful to local people trying to afford housing. Those numbers need to come down or it's not...or we're not gonna get what we want out of it. With that I'll conclude, and I apologize for taking too long.

CHAIR CRIVELLO: Thank you. Members, any clarification? Ms. Cochran?

VICE-CHAIR COCHRAN: Thank you, Chair, and thank you, Mr. Astolfi, for being here and for your written testimony also. So just to...in your...some of your closing comments in regards to is it FACE as the entity to look, to seek funds for maybe perhaps a study of some sort you said?

MR. ASTOLFI: I think we'd be willing to do it. I think, I just feel like stuck and I thought this Committee might have got us unstuck, I don't think it did. And so, we'll sort of put our money where our mouth this and...I mean, without having any undue influence on the thing, you can decide...sorry, design it any way you want to. But I think having some kind of sense of options that's wider than the range of options presented to you today I think would be very valuable.

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VICE-CHAIR COCHRAN: Right. And so in regards to that would there be like, could you make some...start making some phone calls now to try and solidify that or do you have any idea of when that could happen?

MR. ASTOLFI: I think, give me a day or two. I think, my frustration --

VICE-CHAIR COCHRAN: Okay, just not to put you on the spot.

MR. ASTOLFI: --level has kinda gotten high on it, so I just...I wanted to throw that out there as a potential and to ...*(inaudible)*...

VICE-CHAIR COCHRAN: Okay, yeah...all right, well thank you. I think you heard...

MR. ASTOLFI: I mean, I think within 48 hours we could figure that out.

VICE-CHAIR COCHRAN: Okay, and I have faith and confidence in that, in your word, Drew. Thank you very much and well, we can stay in touch I guess. Thank you for your testimony today.

MR. ASTOLFI: Thanks.

CHAIR CRIVELLO: Thank you, Ms. Cochran.

MR. ASTOLFI: Anyone else?

CHAIR CRIVELLO: Thank you. Alice Lee, followed by Mark Short, and this may be our last testifier, John Fitzpatrick

MS. LEE: Good afternoon, Chair Crivello and Members. My name is Alice Lee and this is my easel, Tom Blackburn-Rodriguez. I am Chair of the Residential Workforce Housing Policy Task Force testifying on Item No. 11. And I would like to thank the Committee and Department for creating the task force to further analyze the proposals of Chapter 2.96 by this Committee and to provide you with recommendations which are contained in the draft before you. I'd also like to thank the task force members for volunteering their time for this important task. Like this body here experiences from time to time there was not unanimous agreement on every subject. Thus, the recommendations before you represent the majority of the members, and I have no doubt that you will continue to hear from those who disagree with the majority. I brought along this chart to illustrate the housing tools we have available to us. There's always talk from time to time about how the Residential Workforce Housing Policy does not address the lower end of the economic spectrum and I'd like you to see here that the Residential Workforce Housing Policy is but one tool of many. Before you, you have Section 8, and under Section 8 you have several programs, the Voucher Program, the Home Ownership Program, the Family Self-Sufficiency Program. Under that you have the State Tax Credit Program, the HOME Program, and finally our Affordable Housing Fund Program. If you add all the monies together, yeah, there's over \$28 million set aside for the 0 to 50 to 81, to 80 percent of median income. That's a lot of

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money that's earmarked for the low-income folks. We are here today to help the middle income folks, the people who are making 81 percent of median income to 140 percent of median income. That's the tool we're working on today. This Residential Workforce Housing Policy was never meant to be the cure-all for all housing, all of the housing needs from homeless to gap group. This was meant to be for work house families, workforce housing families. So in this toolbox are Section 8, the Voucher Program, that top program here generates over \$12 million for our low-income families. There are 1,220 vouchers out there helping over 3,600 families, 306,000 families, so you know, we are addressing needs on the lower end. Please believe me when I say that. So what we would like you to do is to please seriously consider the recommendations that we've put forth. You know, we put a lotta hard work and time into this and we would appreciate it if you would support the recommendations made by the majority of the task force. Thank you very much.

CHAIR CRIVELLO: Thank you. Any comments, clarification for the testifier? Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Madam Chair, and thank you, Ms. Lee, for being here. Also, want to congratulate Mr. Easel for his wedding last week. The...you say to pass...as all the recommendations, one of the concerns is this foreclosure thing. What was your guys' discussion in that about this foreclosure? I'm assuming you had some of the folks that are saying please take out the foreclosure or at least have them come talk to you about it?

MS. LEE: Yes, we had someone from...the Director of Housing and Human Concerns brought in someone from Oahu, who was for many years in charge of Wells Fargo. And she testified before our task force and urged us to be very cautious with the foreclosure clause and that it may be a huge disincentive to lenders if we kept the language the way it is in the current ordinance. So we tried to, we tried to loosen that up a little, but, you know, that's for you to decide whether it should be loosened up more or not tightened at all.

COUNCILMEMBER COUCH: Thank you, Chair.

CHAIR CRIVELLO: Thank you. Thank you.

MS. LEE: You're welcome.

CHAIR CRIVELLO: Following Mark Short is John Fitzpatrick, and perhaps our last testifier, Stanford Carr.

MR. SHORT: So, good afternoon and thank you very much for all the work you guys do. This is a brand new experience for me. This is the first anything that I've been to, and I really appreciate the works that you guys are doing. I wasn't planning to testify at all, but just as an experience come here. But I moved to testify. I am a lender. I actually manage the State of Hawaii Guaranteed Rate and previously I worked for a local lender and I've been doing this for a long time. And I can...Don Couch has brought up the question several times and I can reiterate that lenders nowadays are following the rules. And why has this not been an issue in the past is

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because many lenders were not following the rules and it got us into a mess, and now we've got lots of compliance people that are making sure that we follow the rules if we're aware of them. And it is a rule that there cannot be a foreclosure...the lender has to be able to get the property without question if there's a default. That's the bottom line and I'm happy to answer any questions about that. But really what moved me to come talk to you guys, I have five adult children. Okay, two have left Maui. They would love to come back, they would like to come back. The ones that I have here, one is a firefighter and his wife is a school teacher. They've got great jobs. They were just selected, they're very excited for an affordable unit, but there's very few. Hardly anybody has this. They feel privileged yet there is an issue of can we really afford it still? And it's...and they're maxed out. My daughter is working as a registered nurse. She hasn't even tried because again, it doesn't feel possible, and I just wanted to...you know my other daughter is a manager at Whole Foods, again hasn't even gotten there. She's just starting her family. But this is a real thing and I know you guys are aware of it 'cause you all live here and you're addressing it, so thank you and it is complex. I don't have any answers, but thanks very much.

CHAIR CRIVELLO: Thank you. Any comments or clarification for the testifier? Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. Just getting back to Mr. Couch's question and I wanted to follow up. On the foreclosure provision in this section of the amended ordinance to me it looks more like a right of first refusal type language. Is that also...you're just...all it's saying is it's that type of encumbrance where it's saying if you were to go into foreclosure and it's gonna be put on bid, you're gonna offer the County a first option to buy it. Is that that much of an encumbrance that would...

MR. SHORT: Yeah, it's a huge problem.

COUNCILMEMBER GUZMAN: I mean, I don't know the lending rules and regulations --

MR. SHORT: I'm just going to try to...

COUNCILMEMBER GUZMAN: --but I definitely would like to look into that, but it doesn't seem like that's that big of an encumbrance to...I mean, correct me if I'm wrong. I just...

MR. SHORT: John Andersen hit the nail on the head where it's great intentions but here's the thing, the guidelines that all lenders have to follow unless they're gonna charge a big rate, okay which makes it...and say, they're in a first...a lender needs to be in a first lien position. That means, if they don't pay, the lender gets it no questions asked. And there are all kinds of things to protect, all kinds of court proceedings, and it takes a long time for it. This is one extra wrinkle and getting this through, it basically makes it un-lendable if the lender is following the rules, and many lenders have not followed the rules over many years. Many lenders may not be aware of this rule at a particular time, but all the underwriters nowadays are checking very closely. And we haven't had this issue. We haven't had affordable housing as an option. There's been hardly anything. I think I was reading a newspaper article that said there was three units that closed in

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the last eight years or some, some number like that. It hasn't been an issue that lenders have had to face, the question hasn't come up, but it's...it is in there. I can, I can confirm that that is in there. I can send you copies of the guidelines if you like from Fannie Mae, Freddie Mac. And basically this language, and I would just consider as a Council what is, what is the impact? Is it, is it going to hurt anything if it's not in there? And I don't, I don't think it will, but I don't have the answer.

COUNCILMEMBER GUZMAN: So, follow up, Chair?

CHAIR CRIVELLO: Yes.

COUNCILMEMBER GUZMAN: So you've seen this exact type language before in the past? Where my, my analysis of this is that the lender is still in the driver's seat because you have 30 days whether you're going to offer it or not. The lender doesn't have to go along with the negotiated price. So it's the lender that's in the driver's seat --

MR. SHORT: What, what you're...

COUNCILMEMBER GUZMAN: --so I don't see how that's a disadvantage to the lender the way this is written. And I'm sure this is written by Mr. Ueoka who's probably done enough of the analysis. But is this, is this specifically --

MR. SHORT: If this were in conflict with a Federal...

COUNCILMEMBER GUZMAN: --in conflict with --

MR. SHORT: If this were...

COUNCILMEMBER GUZMAN: --with the rules?

MR. SHORT: It is. It is. Exactly. And it's a Federal...Fannie Mae, Freddie Mac are national entities that purchase the vast majority of the mortgages that get the best rate.

COUNCILMEMBER GUZMAN: So you're saying that...you know what, Chair, I'll ask Admin because it, just any kind of encumbrance the lender has to be in total first position. Okay, thank you.

CHAIR CRIVELLO: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Madam Chair. And thank you for that clarification. You know, I know for a fact that today and I've had some experience recently where Federal regulations that were not enforced are being enforced very, very closely. They have no choice, Madam Chair. They have no choice. And I have credit that is very good and I had no choice. I mean they checked, the check, the checker, the check and it went like six checks over check to

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get one thing done, it's unbelievable. But I'd like to know, that the other question I have for you is knowing what has been said and we'll ask Administration, you're just saying this foreclosure clause could and would hinder us from doing what you think as far as bringing in like Ms. Pali-Cruz said, bringing in outside lenders to help us in the mortgage market?

MR. SHORT: Yes. And I can tell you it is an issue even for the...the question was brought up, local lender or not. I was the State of Hawaii manager for a local lender, American Savings Bank and this was an issue for American Savings Bank. Very compliance driven, and yes, they can choose, but they charge a much higher rate at times, and their bellies get full. That's the thing too, our local lenders are not big and they will say, oh we'll open up this area, but then they only have so much money, and so then their bellies get full and then they cannot take any more like that and then it has to go out and meet the standard guidelines. So it is a problem.

COUNCILMEMBER VICTORINO: Okay, thank you. And thank you, Madam Chair.

CHAIR CRIVELLO: Thank you. Any other comments or questions or clarification, Committee members? Thank you very much. Thank you. Mr. Fitzpatrick, followed by Mr. Carr?

MR. FITZPATRICK: Aloha kakou. So my name's John Fitzpatrick, and I'm here today like he just said, I'm a teacher, an educator, someone that works three jobs just to try to get by here on the island. And I'm here because for a lot of families here, the affordable housing or housing in general is way out of reach or we feel like it's almost impossible to get there. And I'm not sure if this...or changing it from 50 percent down to 25 percent is the real problem or if the 50 percent threshold is why there's no affordable housing. I also think before you change these you really need to look at what happened between 2001 and 2007 and figure out, okay the economy was booming, jobs were booming, there was all kinds of housing going on in that time frame, but how much affordable housing was being built? And so when you're changing this law, you need to figure out okay...or like just look at that period of time and is this, the 50 percent the real reason why there's no affordable housing being built now. So that's one thing, and then also I just...there were some ideas that were said that if we do lower it to 25 percent that we should also lower the \$600,000 threshold from like maybe 600,000 down to like three hundred or four hundred thousand so that way all the 25 percent are actually in the reach of people that like teachers, firefighters in the middle class that can actually afford them. I really want to thank all of you guys and all the developers for really working hard to trying to figure out a way to build affordable housing on this island. I know some developers approached me while I was running to try to streamline the, like making permits so the permitting process so that way it's cheaper, it's not \$60,000 for a house and it comes down to like \$20,000 for a house or whatnot. So I think when you're looking at it, we definitely need to look at all the tools in the toolbox like some of us said and make sure we're tapping into that, but also we're building houses and making those incentives for our developers to build houses for the middle class families, and also for the construction workers so the construction workers can actually afford to buy the houses that they are building. And then maybe some things on taxes, so try to find ways where we raise the taxes on these really wealthy houses that are being built and then that money can be invested into affordable housing, so those are some of my ideas. I just look forward to

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working with all of you in order to tackle these issues and actually get middle class families into houses. Get people like Jenise, who during the FACE forum came up to me during intermission and was like begging me like please do something and almost in tears. She's a barber, cuts Alan Arakawa's hair up in Makawao, and she came up and begged me like there are people that I cut hair every day and we can't find --

MS. YOSHIMURA: Three minutes.

MR. FITZPATRICK: --houses whether it's rentals or whether it's buying a house. So we really need to make sure that everyone that is in the middle class can find a house to live in, and so that's why I thank all of you guys for being here and testifying and making sure we find real solutions for the problems, and thank you all.

CHAIR CRIVELLO: Thank you. Mr. Carr?

MR. CARR: Good afternoon, everyone. Committee Chair Crivello, Members of Committee, my name is Stanford Carr. I'm originally born and raised on Maui just for the record. I am a real estate developer and been involved in the business since 1987, and has since developed over 4,000 plus units on three islands. We have been involved from developing...donating land for transitional housing to building homeless shelters including developing an entire ground up transitional housing shelter in Maili as a community service project. We also have been involved and constructed the senior housing and low-income housing for families. More recently we developed a senior rental in Ewa that serves seniors earning 30 percent of the area median income. Your Housing Director, Jo-Ann Ridao was given a personal tour along with some of her staff of that project that we're very proud of. Today that, that community itself has a waitlist of over 1,000 people. We recently completed a 19-story, high rise urban rental project called Halekauwila Place in Kakaako that house families earning 60 percent of the area median income, and that translates basically to 100 percent of our tenants represent probably 80 percent of our workforce. They're school teachers, City and County employees, State workers, tourist-related industry workers. And much like what the need is on Oahu, Maui has the same demand if not far greater in proportion with its per capita, the population here because it has a less of a diversified economic engine than Oahu was...has. I would like to reiterate some of the prior testimony you've heard, to pause to take a look at the language with respect to the deed restrictions and the foreclosure language. There have been many changes in the financial industry with the Dodd-Frank Act as well as with Fannie Mae and Freddie Mac. The woman that spoke earlier with respect to the interest rate and portfolio loans in comparison to conventional financing that can be sold out in the secondary market, that 1 percent interest rate adjustment can be the difference between someone affording to buy a home for 440,000 and a 1 percent interest hike in the interest rate that person can no longer...can afford no more than say 388,000. So that can be the difference between actually realizing home ownership and not. So I caution you, you've invested so much time, you know, in an effort that has been so much really needed. When this original Workforce Housing Ordinance was enacted in 2006, we were at a time where we were on a real estate up cycle and I've seen the economic real estate cycles over the last 34 years. Thirty years ago, a 30-year mortgage was 15 percent. I bought a first condo --

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MS. YOSHIMURA: Three minutes.

MR. CARR: --at 12 percent, one-year adjustable rate. So we had been living in a very favorable interest rate environment for at least the last 15 years. I caution though that interest rates will go up and that's gonna affect and impact the people's ability to afford, you know, the homes. But also take a moment since so much time, and I commend this Committee for the time and effort that's gone into to vet this because it's a very complicated matter and issue. But to also look at providing, addressing rental housing because rental housing is an important step in the housing ladder to eventually provide and offer home ownership. So you're dealing with legislation today that is addressing home ownership opportunities from the 80 percent and above. Well, before those people can afford to purchase a home, they need a place to live, and if more than 30 percent of their adjusted gross income...

MS. YOSHIMURA: Four minutes.

MR. CARR: I'm sorry. Is being utilized towards the rent just because there aren't enough housing inventory on the island and that 40 to 50 percent of their adjusted gross is going towards that household for their roof over their head then that discourages them from ever having any sight of having home ownership. And so that by incorporating in this ordinance some incentives for rental housing you could make that step that much easier.

CHAIR CRIVELLO: Thank you.

MR. CARR: Okay.

CHAIR CRIVELLO: Thank you. I appreciate it. And Chair Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. And thank you very much, Mr. Carr, for being here this afternoon. I'm very interested in your remarks because when I listen to all the projects that you've been able to complete you seem to have a secret. We wanna know what it is. Is it 25 percent, is it 50, well what is it because we want to see those homes built here.

MR. CARR: Sure. Oahu's inclusionary affordable housing is 30 percent.

COUNCILMEMBER BAISA: I see.

MR. CARR: Obviously the 50 percent policy that has been adopted since 2006, did not realize any creation of affordable housing. And "affordable" by the way is an abused term because what's affordable to one person is not affordable to another. So I like to speak on affordability by area median income and by household size. So there are no secrets. We have a lot of tools out there, and recently completing Halekauwila Place it has provoked more thought and creativity to propose legislation to create other financing tools so that we can realize more housing beyond the 60 percent low-income housing tax credit available to us to build low-income rentals and that

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was created with the 1986 Tax Reform Act. What we really need is to address household creation and housing above 61 percent. It was very, very discouraging for many families wanting to move into Halekauwila Place but were overqualified. They made more than 41,000 a year. You know, that's the very low-income. A single person couldn't make more than 41,000 a year on Oahu, and Oahu's median income is 95,000 as compared to I believe 75,000 on Maui. And for a family of four, 57,000. So they were overqualified to move into this brand new rental project with lots of amenities, \$60 for Wi-Fi internet, cable TV and telephone per month. And they were very discouraged by that.

CHAIR CRIVELLO: So are you letting out your secrets or can I have you wrap it up? You know our Member...

MR. CARR: Okay, but sorry. Chair, there are no secrets --

CHAIR CRIVELLO: Thank you.

MR. CARR: --but it's very complicated structured financing. And that's why though I caution that, okay let's take a look since so much time has been invested with respect to the deed restrictions and foreclosure process that you also look at maybe incorporating some incentives for low-income rentals because that will also provoke some other thoughts on the housing purchases opportunities.

CHAIR CRIVELLO: Thank you.

MR. CARR: Thank you.

COUNCILMEMBER BAISA: Thank you, Mr. Carr. And thank you, Chair, for indulging him, but I think it's really important because he's been successful and all I hear is this is not enough, that is not enough, we can't do this, and it's I'm interested and impressed in hearing that somebody can do it. I want us to do it too. Thank you.

MR. CARR: Thank you.

CHAIR CRIVELLO: Thank you. Thank you, Chair Baisa.

VICE-CHAIR COCHRAN: Chair? Oh wait, Mr. Carr? Sorry, Chair.

CHAIR CRIVELLO: Okay, Ms. Cochran?

VICE-CHAIR COCHRAN: Thank you. And hi --

MR. CARR: Hi.

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VICE-CHAIR COCHRAN: --Mr. Carr. Nice to see you here. So I'm, I'm also very interested in the incentives section here because I think that's what developers and people want as yourself. And so I'm seeing things where expedite permitting applications, things...and referrals to Committee and Council for approvals and what have you, but when is...it looks like it's going to be taken out in regards to density bonus. So what are your thoughts on density? Last I thought developers were very amiable, you know, wanted density.

MR. CARR: Sure, and I would, I would say there are gonna be opportunities where density bonuses, FAR increases, larger lot coverages, maybe in the urban core say in an area of redeveloping Wailuku Town that it would make sense. I think each project is different based on the merits. We do have a Hawaii Revised Statute as you know, 201H in which we processed Kahoma Village and we intend to break ground first quarter of next year with that, with that neighborhood. So I would, I would advise that you have as much flexibility in the toolbox because not every project is the same. And that depending on the neighborhood and the area that you allow for flexibility. I think the community and the public will decide through the transparent testimony that discretionary approvals go through and that any project coming before either the Council by way of 201H or through the community plan will stand on its own merits.

VICE-CHAIR COCHRAN: Okay, thank you very much, Mr. Carr.

MR. CARR: You're welcome.

VICE-CHAIR COCHRAN: Thank you, Chair.

CHAIR CRIVELLO: Thank you. Our...Members, thank you for your patience. I thought we could get through all of our testifiers and I have another testifier, Irene Bowie. And we'll break after the final testimony.

MS. BOWIE: Good afternoon, Chair and Committee members. I'm Irene Bowie, Executive Director of Maui Tomorrow Foundation. Maui Tomorrow was a participant in the Affordable Housing Task Force, and we were very happy to be a part of that. I do think listening to all the speakers today, I think we're almost there, but I don't think we're quite there yet. I think there was a little bit of a push to wrap things up on the task force that maybe we need a little bit more time. I think the foreclosure section kind of illustrates that, that maybe we haven't really thoroughly thought of everything, and I echo FACE's statements on bringing in advisors, nationally respected advisors. HR&A Advisors is a nationally respected group coming in that could present to this Committee, could really look at, they do draft and review loan documents, negotiate with loan underwriters, design and implement financing programs, prepare housing and community development policies and needs analysis, evaluate innovative programs to produce and preserve affordable housing. I just feel like we still need to use some resources that maybe we didn't include in our task force. And so, you know, while I know it's painful, everybody wants to wrap this up and get moving, everybody wants to see the affordable housing problem solved. We're almost there, why not take just a little bit more time and really try to get this done right and final. That's all. Thank you.

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CHAIR CRIVELLO: Thank you. Any clarification or comments for the testifier? Thank you.

MS. BOWIE: Thank you.

CHAIR CRIVELLO: Is there anyone in the gallery or at the District Offices who would like to testify? If so, you can come down to the podium and identify yourself, and then you may proceed after to fill out your form. Go ahead.

MR. ARAKAWA: Good afternoon, Chair Crivello and Members of the Committee. My name is David Arakawa and I'm the Executive Director of the Land Use Research Foundation. We have many members across the State including members, landowners and developers on Maui. First, we'd like to thank Chair Crivello and this Committee for setting up that task force. They had a very tough job and they took a very good shot at it. It appears that they understand what the issue is. The issue is supply, supply, supply. The issue is supply. And even though Hawaii is unique like Drew said, the issue is still supply. Secondly, unfortunately what we have now is not working. We all have talked about that, but this is a good first step. There are some issues that have been talked about, the deed restriction relating to foreclosures that should be deleted. The deletion of density bonuses that should be left back in. Those are just a couple off the top of the head. But we believe that this Committee should go forward and pass out the legislation and that can be worked out at full Council some of those details and in further work. We would suggest that this endeavor be looked at like the important ag lands law. And the important ag lands law they passed the basic law first. They cleaned it up and they passed the bare bones law first and then they came back and really worked on the incentives. And we think that can be done. We agree, I agree 100 percent with Drew that we...and the other speakers that we do need incentives. I don't wanna come here to talk about Honolulu but they are looking at rentals, and they're reducing their 30 percent. They're looking at reducing their 30 percent requirement to 15 percent if you do rentals at 80 percent and below. So they're adding things to the toolbox and that can be done in a phase 2 of this legislation, an incentives phase 2 which is also needed. They're also talking about putting in the infrastructure. You know, their budget is different from Maui, okay, so I'm not suggesting it. But the Mayor is so hep on it, he wants to put in sewer infrastructure from Kapahulu to Kalihi to allow further development. And again, that cannot be done on every island. Also, waiving certain fees, that's already done in 201H, but waiving fees for non-201H projects, so those types of incentives. Lastly in wrapping up, two points. Do we need a mainland study? I don't think we need a mainland study. Stanford Carr is an example. He's a Maui boy; he knows how to do it in Hawaii. We don't need mainland folks coming here, tell us what to do. I started in 2007 at this job and this law was already in place in 2006. I don't know if this is true, I don't know if this true, but they said a ULI expert came down to talk about affordable housing to Maui and what came out of it was this 50 percent. It may be that person's fault, it maybe not, but that person does not have to live in this community. That person comes, does their study --

MS. YOSHIMURA: Three minutes.

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MR. ARAKAWA: --leaves. So the people that live here and work here and develop housing here know what to do. So we would say, listen to them. That's how the IAL law passed. We did not...over 100,000 acres of important ag lands designated because farmers and ag landowners worked together, locals, we didn't call any mainland experts. Lastly, and this is kind of it, and I don't mean to insult anybody, I'm gonna get whacked for this, but listen to people like...if you can, please listen to people like Stanford Carr and other developers who have been successful on Maui and on the neighbor islands. So I'd say that, you know, for the IAL law we listened to local farmers and ag land owners, and, you know, I say this in Honolulu, this is not meant for you folks, this is not meant for you folks, in Honolulu I tell them, eh would you trust a council, sorry, would you trust a council member to make rules and regulations on open heart surgery? No. You would get the open heart surgery doctors in there to make the rules and regulations on it. So I tell Honolulu, would you trust a council member to make all of the rules for affordable housing? Okay, so that's Honolulu. That's not here. But please, please, please, you know, you guys are totally different. I've testified before you many times. So thank you very much. You folks listen, you folks are astute. The Honolulu guys are too, don't get me wrong, some are. But thank you very much for this opportunity, but please you have the expertise, you have the local expertise, you have Jo-Ann and her office. I think everybody, everybody here, the Council and the Administration and the public looking for the same thing, and the nonprofits, more housing, supply, supply, supply. Thank you very much.

CHAIR CRIVELLO: Thank you. Thank you, Mr. Arakawa. Members, any comments for our Honolulu visitor?

MR. ARAKAWA: I grew up in Waipahu, the last plantation.

CHAIR CRIVELLO: I know. Mahalo. Mahalo.

COUNCILMEMBER VICTORINO: We forgive him, Madam Chair. We forgive him.

CHAIR CRIVELLO: Okay. So one more time, is there anyone in the gallery or at our District Offices who would like to testify? I am going to double-check to make it formal and official. Hana, any testifiers?

MS. LONO: Hana officially has no testifiers waiting.

CHAIR CRIVELLO: Mahalo. Lanai, any testifiers?

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

CHAIR CRIVELLO: And Molokai?

MS. ALCON: There's no one here on Molokai waiting to testify.

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CHAIR CRIVELLO: Thank you. Members, as there are no further individuals in the Council Chamber or District Offices wishing to testify, and I'd like to thank all of you who've come and joined us and participated with us in this process, without objection, I will now close public testimony and we'll take a short recess. Well deserved, Members. Thank you. No objections to close testimony?

COUNCIL MEMBERS: No objections.

...*END OF PUBLIC TESTIMONY*...

COUNCILMEMBER COUCH: How long is the recess?

CHAIR CRIVELLO: Five minutes. ...*(gavel)*...

RECESS: 3:16 p.m.

RECONVENE: 3:28 p.m.

CHAIR CRIVELLO: ...*(gavel)*... We will reconvene our Housing, Human Services, and Transportation Committee meeting of November 20th. Members, before us today is agenda item HHT-11, Residential Workforce Housing Policy. The Committee is in receipt of the following: County Communication 13-221, received from myself, relating to a review of the Residential Workforce Housing Policy, Chapter 2.96, Maui County Code, (policy). 2. Correspondence dated November 12, 2014, from the Department of the Corporation Counsel transmitting a revised proposed bill entitled, "A BILL FOR AN ORDINANCE AMENDING CHAPTER 2.96, MAUI COUNTY CODE, RELATING TO THE RESIDENTIAL WORKFORCE HOUSING POLICY, AND AMENDING CHAPTER 3.35, MAUI COUNTY CODE RELATING TO THE AFFORDABLE HOUSING FUND". The purpose of the revised proposed bill is to facilitate the development of affordable workforce housing units or lots by reducing the requirements under the Residential Workforce Housing Policy, and to incorporate housekeeping amendments to Section 3.35.050, Maui County Code for consistency with Chapter 2.96. Members, before I call on the Department and your full participation, I'd like to provide my personal comments and thoughts as Chair of this Committee if I may. Prior to today the Committee had eight meetings on this item. We've heard numerous testimony. We've heard comments from Committee members. Made revisions at every meeting and got consensus on the changes. At the last Committee meeting held on September 18, we were ready to move forward with a proposed bill that we have worked hard on and came to consensus with the changes. However, the Committee felt that a task force should review the proposed changes. So as Chair of the Committee, I listened to what you had to say and with the direction of the Department of Housing and Human Concerns, Director Jo-Ann Ridao and Assistant Housing Administrator, Buddy Almeida, we commissioned a task force. I'd like to very, very deeply thank the Department for putting together the task force and the time that they've given us. I also would like to thank the task force members, Alice Lee who facilitated our meetings so professionally, Irene Bowie,

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Dave DeLeon, Charles Jencks, and Kim Harman, Bruce U`u and Sherri Dodson. So for us the proposed amendments is to stimulate, we all agree affordable housing in Maui County. We also agree that the authors of this or the original authors of this policy had the foresight to recognize that we are in need of residential workforce housing. Since 2006, the agreement called for 17 affordable single-family units, 14 were constructed, and only 3 we were able to sell at affordable rates. I also ponder as to why haven't we been able to move forward with at least a framework, and I would like to call what we have before you a framework for us to work off. I was sort of advised by...as a newcomer to this Council under the advisement of our Chair, Gladys Baisa recognizing the shortages of homes and the need for us to work together with the developers and to bring forth this policy. And I am thankful that I've had the opportunity to do so. So as I'm coming in closing of my first term, this has been very challenging because I recognize that we don't have affordable homes on Maui. It's just not available. And then I have to stop and understand how do we define workforce housing in comparison to how we provide opportunities for the low and moderate income or how do we go about in affording long-term affordable rentals? Which thanks to the Department and the Administration we will see that as a reality at the Kulamalu development that will be happening hopefully real soon. And so to me, this framework will allow us to increase the, I guess availability of homeownership opportunities. So I had to stop and think what is workforce? What is workforce? What is it meant? To me, it is meant to connote those who are gainfully employed, and a group of people who are not typically understood to be the target of affordable housing programs. So who are we targeting? I guess the essential workers, the police, the firefighters, the teachers, the nurses, and the median income that they meet. So, Members, I open the floor for the discussion and prior to doing that I'd like to call on our Director, but again, I'd like for us to consider us looking at the framework that we've worked on for quite some time. And I know with Mr. Arakawa's analogy that we're not the surgeons or the experts, but I know too that we realize what's needed and may this be just one of the compartments in our toolboxes. And I hope with the collaboration with FACE and other entities throughout our community that we can develop other avenues that we need to seriously address for our housing solutions. And before I call on Ms. Ridao, I read in reference to the summit that was sponsored by the FACE community and where Mr. Caldwell is quoted where they focus on incentives for developers which range from subsidies and tax credits to higher densities and I quote Mr. Caldwell. "I don't blame the developer," Caldwell said, "they are building to market where they can make money. We need to figure out how we can work with these developers. Just passing a law doesn't work." And he further, and he's further quoted as saying, "Maui has had very aggressive standards and regulations and developers just didn't build." So I now turn the floor over to Ms. Ridao. Thank you.

MS. RIDAO: Good afternoon, Chair and Committee members. My job this afternoon was I thought to introduce you to who the task force members were but Chair Crivello covered that. I just wanted to add that that this was a very, very hard working task force. They made themselves available so that they could accomplish what they wanted to in a reasonable amount of time to get this back to you before the end of the year, and they've accomplished that. I think as you've heard from the Chair as well as many of the testifiers this is a beginning, and this is something I think that we can work with and to address and change things that need to be changed as they come up. However, I'm hopeful that you will have questions for us today and that we can answer those for

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you. So in leading into that I wanna say that the two gentlemen on both sides of me, Corporation Counsel, Jeff --

MR. UEOKA: Ueoka.

MS. RIDAO: --Ueoka. I don't know why, I was going call you Arakawa, and Buddy Almeida are the people that worked with the committee very, very closely. So they will be the people, the two people that can answer your questions as they come up. Although I did attend the meeting, I was not the one that was, you know, consistently involved with what was happening. They were doing...working with the members, getting the notes to them, working with them on a consistent manner to get this to you quickly. So with that said, I think we're ready to, if the Chair is, to kinda go ahead with the questions the Committee might have.

CHAIR CRIVELLO: Members, I'm open for questions. However, I'd like to ask Corp. Counsel, Jeff Ueoka to sort of highlight for us the recommendations that have come from the task force that's before you, and, Members, you should have received the revised policy, okay. Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Essentially there were 17 things that were agreed upon by a majority of the task force. The first one was in regards to the units for the trigger under 2.96.030, it's on Page 1 and 2 of the bill. They wanted to just make it ten units for everything. Before the thing Council had agreed upon was or come to a consensus on was I think it was ten for all the units except for hotel units, the conversion of hotel to dwelling or timeshares and hotel redevelopment or renovation projects was anyone, but now the task force is recommending ten. The task force agreed with the exemption for the MRA. The task force also agreed that the Director should have the ability to request for exceptions, that's on Page 3 in the middle under Item D. Regarding the affordability requirement they agreed that it should be a percentage of market rate units built as opposed to all units built. In regards to the, or I guess this is the big one, they went with 25 percent, a 25 percent requirement. In regards to the break down for the deed restrictions on for-sale units they said, 81 to 100 percent would be 30 percent, 50 percent in the 101 to 120, and 20 percent in the 121 to 140. They also wanted to try something a little different with the length of the deed restriction. For the 81 to 100 percent the I guess, as they called it the most heavily subsidized units, that would have a 10-year deed restriction. Eight years for the 101 to 120 percent which are less subsidized, and five years for the 121 to 140 percent. They thought it would be in the best interest to keep the rental ones the same, a third for each of the categories. I believe the rental categories currently are one-third very low and low income, one-third below moderate, and one-third moderate income. And all these percentages refer to the affordability of course or I shouldn't say affordability, the HUD median income levels. They also agreed to lower...that the lowering of the deed restriction on rental properties to 30 years was acceptable as opposed to currently it's for the life of the unit...or the life of the building. They wanted to add in the language to essentially give the County the first right of refusal for the purchase of the affordable or the residential workforce housing unit building for those rentals. So if you did a rental building, they proposed that we include language in the bill that says at the end of the 30 years the County have the opportunity to purchase or the owner must offer for sale to the County

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at the end of the 30-year period. They agreed with the change and the calculation in the in-lieu fee. They approved that, they agreed that any land donations in lieu of building would be best reviewed and approved by the Council. They also agreed with giving credits to 100 percent affordable 201H projects for every unit beyond the 201H requirement of I believe it's 51 percent or 50 percent plus one unit. It's something to that effect. They also thought that the credit should be used, be able to be used in any community plan area and they felt that the residential workforce housing units should be able to, if they're earned on a multi-family dwelling unit they should be able to apply to satisfy the requirement of the construction of a single-family. So basically the credits would be interchangeable between units. They also agreed to or thought it would be best to let the credits be good for...to satisfy the requirement for all income categories. So essentially the task force was saying, make the credits very broadly applicable. And finally they, they asked for the inclusion of the language for the foreclosure provision where the lender or the County and the lender to try and work something out. So that was the task force's recommendation to include that language. Thank you, Chair.

CHAIR CRIVELLO: Thank you, Mr. Ueoka. Members, any questions, comments? And we're open for discussion. Mr. Couch?

COUNCILMEMBER COUCH: Sure, I'll start, why not? The incentives for density that was removed? I notice in our notes we didn't discuss that at all and then all of a sudden that came up. So what was that?

CHAIR CRIVELLO: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. That's a deletion of the definition of density bonus. I believe it was...I think it's a mistake because we didn't touch the incentive which is contained in...

COUNCILMEMBER COUCH: It is in here. Page 11, it's bracketed out, I mean...yes, 11, C, it's bracketed out.

CHAIR CRIVELLO: Section 1.

COUNCILMEMBER COUCH: Section 140.

CHAIR CRIVELLO: Here, Mr. Ueoka?

MR. UEOKA: Yeah, thank you, Chair. I do see the bracketing. I don't, I don't remember, I don't recall us deleting it though.

CHAIR CRIVELLO: I don't recall either 'cause...I'd like to add that we briefly talked about incentives, but we're going to probably bring that up at the next phase, and yeah...

MR. UEOKA: I would say Chair though that currently C says, developments that include onsite residential workforce housing units may be entitled to a density bonus subject to enactment of

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enabling legislation. The way this bill is currently worded is there's no real differentiation between onsite and offsite, however that's still there. And the enabling legislation has never come about either. So it could be deleted and if there ever was enabling legislation it could be handled there also.

CHAIR CRIVELLO: Mr. Couch?

COUNCILMEMBER COUCH: Yeah. That's reasonable.

CHAIR CRIVELLO: Okay. Any further comments or questions for...

VICE-CHAIR COCHRAN: Chair?

CHAIR CRIVELLO: Yes, Ms. Cochran?

VICE-CHAIR COCHRAN: Yeah, I brought that up 'cause if I recall all through community plans and Maui Island Plan discussion, density was a high, was a big word and being defined in every community they had a meeting in, and so it was odd that it was deleted. But I hear what you're saying currently there is no enabling legislation for it to be implemented anyways at this point in time. But the gist, do you believe that density is favorable? That they felt it was? I mean, and perhaps a nice incentive perhaps one day to utilize?

MR. UEOKA: Chair, if I may?

CHAIR CRIVELLO: Yes.

MR. UEOKA: I don't believe the task force got into a lot of the incentives. They were planning on...I think they had one last meeting to discuss incentives, and I don't think it was as productive as they hoped it would be. So density bonuses never really came up.

VICE-CHAIR COCHRAN: Okay.

CHAIR CRIVELLO: So...go ahead, Ms. Cochran.

VICE-CHAIR COCHRAN: Okay. So do you think that...it sounds like things were I don't know if it was rushed. I know they wanted to get it in before the end of the year and we're a month before the end of the year right now, so timing is good. But do you feel that maybe perhaps they did not have enough adequate time to really delve into you know, the meat and heart of the matter in all aspects here? 'Cause I kinda heard it through, I see it in written testimony, I heard it through verbal testimony today too in the sense where they felt rushed and sort of just, you know, ran through this thing and here it is, and vote it through now. So I mean --

CHAIR CRIVELLO: Do you have comment...

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VICE-CHAIR COCHRAN: --you two were there, Mr. Almeida and Mr. Ueoka.

CHAIR CRIVELLO: And I was there too.

VICE-CHAIR COCHRAN: And yourself, Chair.

MS. RIDAO: If I may, Chair?

CHAIR CRIVELLO: Sure.

MS. RIDAO: I sat in the meetings, and I did not feel like the committee was rushed. Those committee members who are here can, you know, talk about that. I do feel that, you know, that there was a goal in mind of trying to accomplish something in a timely manner. I think that that's what they were focused on. But I didn't have a feeling of being rushed, that they felt they were rushed.

VICE-CHAIR COCHRAN: Okay.

CHAIR CRIVELLO: If I may add to your concern as far as in response to those that may have those concerns? I have to agree with Ms. Ridao. You know, the facilitation was handled so gracefully by Alice Lee. And actually when you...if you had to rewind and see who had full control and participated most of it what came from our FACE representative on there. And so, I didn't feel it was rushed. We really took our time. We felt like...I think the task force tried their best to address what came from the Committee for us to address. And we did not address fully on incentives. And as I mentioned earlier, the intent I guess with the task force was to come up with a framework that the Committee can feel that they can work off, and then perhaps Phase 2 we would work on the incentives. So basically incentives were never really fully discussed until the last meeting.

VICE-CHAIR COCHRAN: Okay, thank you, Chair. But I always hear that we should give more incentives to the developers, the builders, the construction trade, and yet that was the last thing and then now we're just saying, let's just get to that later kind of thing. But I know maybe perhaps dropping the percentage is in a sense an incentive, but I think it's more than that. And so, it's important to me, you know, that we...that was looked at or somehow we incorporate some real nice carrots for developers to wanna push them forward to break ground and actually build these, the workforce housing that we're so sorely lacking right now. It's kinda my sort of I guess dismay with what had come out, and it does bother me that there's some key wonderful people in this community who sadly dropped out of this task force committee because they felt that right off, out the gate things were predetermined and that their voices truly were not being heard and so they left.

CHAIR CRIVELLO: One person stepped out. One person removed themselves.

VICE-CHAIR COCHRAN: So, well I'm reading my staff and several people from what is written, but anyhow, so just my comments at this point. Thank you.

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CHAIR CRIVELLO: Thank you. But I'd like to stand corrected on that. We had one member and another member spoke on that member's behalf that recused themselves from further participation, and that was during our last meeting. That during our last meeting. Mr. Carroll.

COUNCILMEMBER CARROLL: Thank you, Chair. Talking about incentives I wasn't aware that there wasn't too much discussion on that because I wasn't on the committee and I really would laud the committee for all their hard work. But as you know the Land Use Committee the only thing we've been able to pass out all this time is 201Hs. And 201Hs are passed out and developers are coming for 100 percent affordable or a minimum 51 percent because of incentives. I think incentives can't be overlooked because we have to look at what was successful. The 201H process got homes out there. So I laud the committee for not looking at incentives, actually to try to put something together without them because incentives basically are the taxpayers subsidizing the application not having fees for grading and other things that we do, accelerated time period of 45 days which saves lots and lots of money. I think it really needs to be considered. It's one of the things that makes that process successful and I think we need to look at success as we're designing what we have before us today. Thank you.

CHAIR CRIVELLO: Thank you, Mr. Carroll. Any other Members? Any other comments or questions? Mr. Guzman, Chair Baisa?

COUNCILMEMBER GUZMAN: Thank you, Chair. I just wanted to applaud the task force for a job well done in terms of trying to tackle this in a deadline fashion. I know how difficult it is to work with various members of the community. Unfortunately I did want to see more on the incentive side, but as you said, Chair, I think that this is a good framework that we can work with. My bottom line is referring back to Mr. Doug Spencer is what is our goal? And if we've got 6,000 units that we need to start building before 2017, well then let's get it done. Let's put a goal out there, 1,000 units for the next two years and put in the provision that we will revisit this in two years' time. If the 1,000 are not built by that time, I'm gonna revamp this like there's no tomorrow. I'm gonna give the developers a chance to prove themselves that they need that percentage reduction. And if they don't build the houses, they don't build the units, they're gonna see a much, much stricter law come down. But my goal is get this thing off the books, let's build some houses, and let's get to work. And we can come up with the framework later as we go by. That what laws are made for amendments. We can do these studies while we're waiting for this two-year expiration for review. We can even get the studies done. And if it doesn't work, then we can definitely change it. But let's get something going. We've been working on this for more than a year and a half, and I applaud you, Chair, for sticking it out. It's been a very, very difficult task somewhat like defining the definition of agriculture. But anyway, that's my two cents, not that it's worth anything, but --

CHAIR CRIVELLO: It is.

COUNCILMEMBER GUZMAN: --it's off my chest. Thank you.

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CHAIR CRIVELLO: Thank you. Chair Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. I came in this afternoon and I was leaning very strongly to let's pass this thing. You know after a while you reach the point where you say, you know, we have beat this thing to death and let's just get on with it. Couple of things that I would like to ask a couple more questions about before I'm ready to say okay. And as far as the incentives are concerned, I see them as being very crucial because we want success. We're not looking to spend all this work and then fail, and somebody is gonna come back and say, well you reduced the percentage but you didn't give us the incentives so we still don't wanna play. However, what I'm hearing from you and I'm very excited about that is that this would be something we pass but almost very shortly after that we would start working on an incentive package to go with it. But, you know, I'm really excited about wanting to get this on the road. But I do wanna clear up, I heard something that I don't think I have settled in my mind and that was the recommendation from Mr. Andersen. He wanted to delete the foreclosure clause. Can somebody kind of tell me whether that can be done, is that something we should do? Maybe, maybe Corp. Counsel, Chair?

CHAIR CRIVELLO: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. I'm not a lending expert, but the experts have spoken and it's essentially been communicated to us that two things. The first thing is any deed restriction longer than ten years is a lot less attractive to lenders. And essentially almost any, us, the County, getting in the way of the foreclosure process in any way makes the loans very unattractive to lenders, and I don't think anyone came out and said it's impossible to get a lender, they just said it's a lot less attractive, you'll have a lot less options, you may pay higher rates. But I don't think it's a impossibility if we leave the language in, but it's much, it's much...it's not as good, it's worse.

COUNCILMEMBER BAISA: So your recommendation would be we take it out and we'd have a better, a better bill going forward?

MR. UEOKA: I don't know if you'd have a better bill per se, but the units that are built would have a better opportunity to get lending.

COUNCILMEMBER BAISA: You know, I'm trying to remember, I've been around here a while, it gets confusing, but I think I'm sure Director Ridao remembers, didn't we have a first-time homebuyers thing where we were giving loans and we were told to stop that because they were having a hard time getting loans because of the County being in the way, and we changed that to grants?

MS. RIDAO: Yes, that was a problem when we did a down payment loan because it was considered like a second mortgage --

COUNCILMEMBER BAISA: Right.

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MS. RIDAO: --like another payment that the purchaser had to do. And then if you remember, we had a first-time homebuyer's program --

COUNCILMEMBER BAISA: Right.

MS. RIDAO: --and we expended...every year we got 200,000 for two years, three years? Three years, and we expended the 200,000 every year. We assisted a total of 39 families in those three years, and I think that kinda speaks to my philosophy about affordable housing is that you have to do every aspect of it. You have to have down payment assistance, you have to have education, you have to the different categories of income units to purchase, you need rentals, you need single-family units. So in order to actually do affordable housing, you need a wide spectrum of programs to create those.

COUNCILMEMBER BAISA: So, Chair, those were the only two concerns that I have. Obviously, you know, the incentives we can take care of in another effort, but this foreclosure thing bothered me 'cause I don't want us to do this and then we cannot get loans because of this thing being in the way.

CHAIR CRIVELLO: So Mr. Ueoka...oh, I'm sorry, Mr. Victorino, go ahead.

COUNCILMEMBER VICTORINO: Go ahead, you were ask Mr. Ueoka...after, after.

CHAIR CRIVELLO: Mr. Ueoka, do you have a suggestion and is there a means that we can consider Chair Baisa's concern?

MR. UEOKA: Yeah, I believe prior to this we had language in there just saying, you know, there's the buyback provision and everything, but we stated that these buybacks shall not apply in the case of foreclosure, and you delete out that County first right language. That would be my suggestion.

CHAIR CRIVELLO: Okay, so would you like to entertain a motion for us to do that?

COUNCILMEMBER BAISA: Chair, if you'd entertain a motion for an amendment, I don't know if all the Members have had an opportunity to speak on it. I don't know what Mr. Victorino was trying to say, but I'm leaning to let's put that amendment in here and then we can take this out and celebrate.

CHAIR CRIVELLO: Mr. Victorino?

COUNCILMEMBER VICTORINO: Basically, Madam Chair, we went through this rigmarole yesterday in my Committee, the same thing.

CHAIR CRIVELLO: Yes.

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COUNCILMEMBER VICTORINO: We thought we had everything that everybody had brought up and then bam all of the new stuff come out of the woodwork. And it's very frustrating, Madam Chair. I know where you're sitting right now you'd like to say forget it, but we're too far into it. So I would say, yeah, that was exactly what I wanted to do is remove it by making a motion to remove that provision on the foreclosure. That was my whole...my motion to move that, get that done in the spirit of compromise so that we can move on already.

COUNCILMEMBER COUCH: Consensus. ...*(inaudible)*...

CHAIR CRIVELLO: Thank you. Do we have consensus on that?

COUNCILMEMBER VICTORINO: Whatever we need to have, you know what I mean?

CHAIR CRIVELLO: Okay, may I go with consensus?

COUNCILMEMBER BAISA: Yes.

COUNCILMEMBER VICTORINO: I don't give a rip, I'm sorry.

COUNCILMEMBER BAISA: If your staff says.

COUNCILMEMBER VICTORINO: I'm tired.

COUNCILMEMBER BAISA: If your Staff is okay?

CHAIR CRIVELLO: Are we okay with consensus? Okay, thank you.

COUNCILMEMBER VICTORINO: And, Madam Chair?

CHAIR CRIVELLO: Yes?

COUNCILMEMBER VICTORINO: You know, like some of my colleagues, I've been here just longer than most of them, if they think they're frustrated, they don't know what frustration is. You know, they haven't learned nothing. They think they know, but they don't. Bottom line on this is if we've let a task force do something for us just like we had with the polystyrene. You're never going get everybody on the same page.

CHAIR CRIVELLO: Right.

COUNCILMEMBER VICTORINO: Everybody has variable differences in that, but you gotta keep working at it. So I think this is a good point like I've always said. In two years we can review, I agree.

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CHAIR CRIVELLO: Right.

COUNCILMEMBER VICTORINO: You know, that's something we need to have in all of our legislation, a review period to see if it's working or not. I think that should be SOP, not just put in. It should be every piece of legislation we should get it and then review it in two years to see if it's effective or not.

CHAIR CRIVELLO: Thank you, Mr. Victorino. Any other comments or questions?

COUNCILMEMBER GUZMAN: Chair, yeah.

CHAIR CRIVELLO: Mr. Guzman?

COUNCILMEMBER GUZMAN: At some point I'd like to make a motion to add that language into the ordinance that we would review this. Is it in there already?

CHAIR CRIVELLO: There is an ordinance already.

COUNCILMEMBER GUZMAN: Yeah, there's a section in there, but I think it's not two years. I'd like to have it amended to two years.

CHAIR CRIVELLO: But doesn't it say two years?

COUNCILMEMBER GUZMAN: So at the end of this term at least we ...*(inaudible)*...

CHAIR CRIVELLO: I believe it is 'cause that's why it was brought up.

COUNCILMEMBER GUZMAN: Is it every two years, yeah?

CHAIR CRIVELLO: Yeah, every two years.

COUNCILMEMBER GUZMAN: Okay.

CHAIR CRIVELLO: Yeah, yeah.

COUNCILMEMBER GUZMAN: Okay, good, good. One more thing, Chair?

CHAIR CRIVELLO: Yes?

COUNCILMEMBER GUZMAN: If we're going to be considering an incentive package phase if and when we do pass this --

CHAIR CRIVELLO: Yes?

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COUNCILMEMBER GUZMAN: --I would propose that we increase the 25 percent to 30 percent so that when we do start talking about incentives, we can lower that 30 percent down to whatever, under 30 percent as the incentive. 'Cause it's very difficult to increase the 25 percent to 30 percent and then go down. So I would propose that we go ahead and change that to 30 percent now, and then when we work on the incentive package, we can use that 30 percent as leverage to bring it down as the carrot, right.

CHAIR CRIVELLO: May I approach this with consensus?

COUNCILMEMBER COUCH: No.

COUNCILMEMBER VICTORINO: No.

COUNCILMEMBER COUCH: I have a comment on it.

COUNCILMEMBER GUZMAN: Okay.

CHAIR CRIVELLO: Okay, Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Madam Chair. Actually in my opinion 30 percent is too low. If you do the numbers and I'll pass out the spreadsheet, if you do it ...because the language says, of market-rate homes, market-value homes, so you're taking a total percentage off of the market-rate homes you wanna build. You don't know how many homes you're gonna get at the end. For instance, if you wanna build 100 homes, if you use the old language, 25...if you use 25 percent, 25 homes would be affordable, 75 would be market if you use the old language. When you say, of market-rate homes, if you use 25 percent of the 75 market-rate homes that they're gonna build, you only get 19 affordable homes. You have to go to 33 percent in order to get the 25 homes. And I can do a spreadsheet if you guys would like to see it. You have to go to 33 percent if you wanna get 25 homes of 100 homes being affordable.

CHAIR CRIVELLO: Okay.

COUNCILMEMBER COUCH: So the magic number is 33 percent if you want 25 out of 100 homes affordable.

CHAIR CRIVELLO: Okay. Mr. Guzman?

COUNCILMEMBER GUZMAN: I was off by 3 percent, Chair.

CHAIR CRIVELLO: I'm sorry, you would what?

COUNCILMEMBER GUZMAN: I'm off by 3 percent.

CHAIR CRIVELLO: You're off by 3 percent.

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COUNCILMEMBER GUZMAN: So I'm requesting 33 percent.

CHAIR CRIVELLO: Do I have consensus on 33 percent? I see Chair Baisa going no.

VICE-CHAIR COCHRAN: Consensus. Yeah.

COUNCILMEMBER BAISA: No.

VICE-CHAIR COCHRAN: Yes.

UNIDENTIFIED SPEAKER: Gotta vote.

CHAIR CRIVELLO: Then we gotta go for a vote.

VICE-CHAIR COCHRAN: Make a motion.

COUNCILMEMBER COUCH: Are you, excuse me, Madam Chair, are you ready for motions on things like that now or are we just discussing at this point?

CHAIR CRIVELLO: I...if we're through discuss...having the discussion on this, I can go ahead and recommend...that the task force came up with 25 percent. So Committee...yes, Chair Baisa.

COUNCILMEMBER BAISA: Chair, I would like to respect the recommendation from the task force.

COUNCILMEMBER VICTORINO: Yeah.

COUNCILMEMBER BAISA: You know these folks spent many and many hours, worked very, very hard on this and I'd like to respect their recommendation. This is the second time that I'm facing this 25 percent and it failed the first time because nobody did it. And I don't know if we wanna mess with it this time. I am gonna vote no.

CHAIR CRIVELLO: Thank you. I'd like to comment also on, you know, task force was created the first time when this...when they authored this policy and they came up with the 50 percent. We went through consensus, we did our adjustments, Committee came up with their consensus, and then we said get back to the task force. Task force comes back with the recommendation and it is 25 percent. So, that being said, according to what I'm hearing from Chair Baisa is to take into consideration what the task force is recommending with this except something...(inaudible)...when it kind of talks about us getting the financial kind of support. So, Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. I completely understand where you're coming from and where Chair Baisa is coming from. But as it was mentioned, the incentive portion of discussion was on the last meeting date and then it sounds like there was only a few minutes or whatever, a half hour worth of incentive discussion. And so...

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CHAIR CRIVELLO: This 25 percent, and I need to say we did have developer representation on there and the compromise was to go with the 25 percent, and the incentive were to address other incentives in addition to this as an addition to this framework if that's my recollection. Mr. Couch --

COUNCILMEMBER COUCH: Thank you.

CHAIR CRIVELLO: --and then Chair Baisa?

COUNCILMEMBER COUCH: Thank you. The thing that's...the difference though is the wording. It used to be the total number of homes, now it's total number of market-rate lots. So that's a big difference in math, and I passed out the sheet and you can see. If you want...out of every 100 homes, if you want 25 homes, you gotta go 33 percent that's how the math...

CHAIR CRIVELLO: You're saying the market value, that wording may need to be addressed? Is that what you're saying?

COUNCILMEMBER COUCH: Either way.

CHAIR CRIVELLO: Okay.

COUNCILMEMBER COUCH: The math is the same either way, you know, if you say, total lots or market-rate lots you have to do 33 percent market-rate lots, 25 percent total, same math.

CHAIR CRIVELLO: Chair Baisa?

COUNCILMEMBER BAISA: Thank you, Chair. I was not a member of this task force. However, I have the greatest respect for the minds that were there, particularly the facilitator, Ms. Lee. I am very sure that she totally understood what she was recommending and her group was recommending when she said 25 percent. So I'm firm on that.

CHAIR CRIVELLO: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. I move for 33 percent.

VICE-CHAIR COCHRAN: Second.

CHAIR CRIVELLO: There's a motion on the floor to change the percentage from 25 to 33 percent. Do I have --

COUNCILMEMBER COUCH: Discussion.

VICE-CHAIR COCHRAN: Discussion.

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CHAIR CRIVELLO: --discussion?

COUNCILMEMBER COUCH: Madam Chair, you were on the committee, was that, was that discussed the market versus the...the wording there, was it discussed whether it was of total or the market rate?

CHAIR CRIVELLO: Yes, I'll ask Buddy. Buddy, would you like to clarify on that or comment on that or shall we have Mr. Ueoka comment on that?

MR. ALMEIDA: I'm sorry, Chair, was that with regards to the percent of the overall --

CHAIR CRIVELLO: Right.

MR. ALMEIDA: --versus the market units?

CHAIR CRIVELLO: Right.

MR. ALMEIDA: Yeah, that was an item that was brought up and discussed separately. They wanted to identify, and I think it was at the recommendation of Mr. Ueoka as far as just...he probably...he did a little bit more research on why it made sense to approach it from that standpoint. So he might wanna clarify a little bit on what he researched and why he felt that was the proper way to pursue this.

CHAIR CRIVELLO: I'm sorry, maker of the motion, Mr. Guzman, did you wanna address something?

COUNCILMEMBER GUZMAN: Oh, no.

CHAIR CRIVELLO: Okay. Mr. Ueoka?

MR. UEOKA: Thank you. The reason behind the change in language was just the way it was currently worded, it was ultimately difficult because you were getting charged affordable...I shouldn't say charged, required to build affordable units for affordable units. Because they were going with the total number of units created. And depending on how you approach it, I won't get into the math, but if you approach it a certain way, you keep going on and on and on and on mathematically until you end up one to one. For every, you know, affordable unit or affordable market unit there's an affordable unit. So, by just saying if you're gonna build 75 or, you know, whatever your number is of market units, and then the County will tell you how many affordable units you need to build, and it can also be approached in the opposite. If you have 100 lots, we'll tell you, you know, your requirement's this and that, it will be 80/20. So, it's wording, it's up to the I guess, the Council's determination as to what the numbers they wanna have, but the reason for the language change was just for clarity.

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COUNCILMEMBER COUCH: Understood, Madam Chair. But the issue is when somebody says 25 percent it usually means 25 out of 100. Well, if you have 25 percent of the market-rate, you're only gonna get 19 out of 100.

CHAIR CRIVELLO: Better one than none.

COUNCILMEMBER COUCH: Yeah, that's true.

CHAIR CRIVELLO: I'm sorry, Mr. Ueoka, you wanna expand on his concern?

MR. UEOKA: That's...it's the language is clearer now. It's 25 percent and you're picking a perfect number so it's actually 80/20. If you have 100 units and you'll do 80 market units and you'll do 20 residential workforce housing units.

COUNCILMEMBER COUCH: Not in your language, no.

MR. UEOKA: You build 80...

COUNCILMEMBER COUCH: 'Cause 25 percent of 80...

MR. UEOKA: Is?

COUNCILMEMBER COUCH: Yeah, all right.

COUNCILMEMBER VICTORINO: He's right. He's right, come on now. I can do the math.
...(inaudible)...

COUNCILMEMBER COUCH: Yeah, but that's still not, that's still not 25 out of 100.

MR. UEOKA: But it's 25 percent of the market-rate units.

COUNCILMEMBER COUCH: Right.

MR. UEOKA: That's why it's all --

COUNCILMEMBER COUCH: As long as...

MR. UEOKA: --the percent is up to you.

COUNCILMEMBER COUCH: As long as, as long as everybody on this panel is clear that they don't get 25 affordable market-rate homes in 100 unit. But it sorta sounds like 25 percent is, and I'm fine if we go to 80/20, that's fine as well. But you gotta understand that when somebody says 25 percent, it's not 25 out of 100 homes.

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CHAIR CRIVELLO: Okay, so any further discussion in regards to this motion? Mr. Carroll?

COUNCILMEMBER CARROLL: Thank you, Chair. It would seem much simpler just to change a part to where we're...instead of 75 percent of market-priced housing just to say 25 percent of the entire project, then you have 25 percent. Instead of going to 33 percent to get 25 percent. I definitely want 25 percent affordable housing. That's what the Committee wants, that's what we all want, and that's what we want to achieve. It's whether we go this 33 percent or we change the original wording.

CHAIR CRIVELLO: Okay.

COUNCILMEMBER CARROLL: Whichever one works and whichever one the Committee can agree on. Thank you.

CHAIR CRIVELLO: Thank you. Any further discussion before I call for the question?

COUNCILMEMBER BAISA: One more.

CHAIR CRIVELLO: Yeah, Chair Baisa?

COUNCILMEMBER BAISA: So if I understand correctly, the recommendation from the task force was 25 percent of the project or 25 percent of market-priced homes. What was it?

CHAIR CRIVELLO: The market, 25 percent of the market.

COUNCILMEMBER BAISA: Speak.

MR. UEOKA: Market.

COUNCILMEMBER BAISA: Huh?

MR. UEOKA: Market units.

COUNCILMEMBER BAISA: Okay. So then you know that they weren't gonna get 25 homes.

CHAIR CRIVELLO: Mr. Almeida, you wanna comment on...

MR. ALMEIDA: Thank you, Chair. Just to add a little information for you to consider. The way that the ordinance is currently written there's that \$600,000 threshold with regards to whether you owe 50 percent or 25 percent.

COUNCILMEMBER BAISA: Yes.

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MR. ALMEIDA: Through the majority of the time that this ordinance has been in place, the market crashed. And the average sales price have been under 600,000. So we've really been looking at an old, you know, just a 25 percent requirement through this whole period. And even at 25 percent we've seen nothing. So we're just basically...we're not really changing too much there really when you consider that, that it's pretty much, the requirement's been 25 percent for at least the last four or five years. So you know it's not really that big of a, you know, drop that we're considering.

CHAIR CRIVELLO: Any further discussion or comments? Ms. Cochran?

VICE-CHAIR COCHRAN: Thank you, Chair. And, you know, again, it's just I'd like 100, but, you know, it's just however we're gonna get the most. Personally I don't think it's the numbers. I think it's a economic downturn. Everything else that has occurred in the past few years since this has been on the books, and, you know, but for me the makeup of a task force and the outcome of that task force says a lot and all that. But...and so, and it was great to have Mr. Spencer, Mr. Carr here who are...have proven how what we're trying to get done here have been done. And so I wish they would have been on the task force to lend a hand, but they weren't. So at this point, Chair, you know, I understand where we're trying to get to and I'm still standing behind incentives. And as infrastructure I would like to look into maybe perhaps this County can help subsidize in this sense helping offset prices in infrastructure --

CHAIR CRIVELLO: I agree.

VICE-CHAIR COCHRAN: --within developments because in the end they all come through my Committee for easements, you know, yeah we take 'em over anyways. So why not us build it to our standards so in the end it's gonna be ours anyhow, things of that nature. So that's one of my things and I was hoping that we could work on stuff, but, you know, we'll go to Phase 2. So with some tweaking I'm good, and we'll take it as it comes. Chair, thank you.

CHAIR CRIVELLO: So, thank you. So any further discussion?

COUNCILMEMBER GUZMAN: Thank you, Chair. Just getting back to the incentive portion and by starting out at 30 percent or 33 percent, I think that's an incentive for this to come back for us to talk about incentives. So I think I'm just gonna stay at the 33 percent --

CHAIR CRIVELLO: That's fine.

COUNCILMEMBER GUZMAN: --and go from there.

CHAIR CRIVELLO: Okay. Are you ready for the vote?

COUNCIL MEMBERS: Yes.

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CHAIR CRIVELLO: Okay. All those in favor of the motion with...would like to change the percentage of 25 to 33 percent, signify by saying, "aye".

COUNCILMEMBER GUZMAN: Aye.

VICE-CHAIR COCHRAN: Aye.

CHAIR CRIVELLO: All those opposed?

COUNCILMEMBER VICTORINO: No.

COUNCILMEMBER BAISA: No.

CHAIR CRIVELLO: Okay, so . . .

COUNCILMEMBER VICTORINO: Roll call, please, Madam Chair.

CHAIR CRIVELLO: Roll call, yes. May I have roll call?

MS. YOSHIMURA: Member Carroll?

COUNCILMEMBER CARROLL: No.

MS. YOSHIMURA: Member Baisa?

COUNCILMEMBER BAISA: No.

MS. YOSHIMURA: Member Cochran?

VICE-CHAIR COCHRAN: Aye.

MS. YOSHIMURA: Member Couch?

COUNCILMEMBER COUCH: Aye.

MS. YOSHIMURA: Member Guzman?

COUNCILMEMBER GUZMAN: Aye.

MS. YOSHIMURA: Member Victorino?

COUNCILMEMBER VICTORINO: No.

MS. YOSHIMURA: Chair Crivello?

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CHAIR CRIVELLO: No.

MS. YOSHIMURA: Chair, that's three ayes, four noes, motion fails.

CHAIR CRIVELLO: Thank you. So we remain as such with the 25 percent.

VOTE: AYES: Vice-Chair Cochran, and Councilmembers Couch and Guzman.

NOES: Chair Crivello, and Councilmembers Baisa, Carroll, and Victorino.

ABSTAIN: None.

ABSENT: None.

EXC.: None.

MOTION FAILED.

CHAIR CRIVELLO: Any further discussions in regards to this policy? Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Madam Chair. You know, we have a definition or we have a couple terms here that I'm not sure and I looked in the existing law about the definitions and maybe I'm just missing it, but the 30 percent of ownership units shall be for below moderate-income residents. Is that language...and then you talk about shall be for moderate income. I know moderate income is done in the existing law, but you have below and above, it's just anything below and anything above?

MR. UEOKA: May I, Chair?

CHAIR CRIVELLO: That's on Page 9. Yes, Mr. Ueoka?

COUNCILMEMBER COUCH: Is that Page 6 and 9?

MR. UEOKA: If I may, Chair?

CHAIR CRIVELLO: Yes.

MR. UEOKA: In the definitions, residential workforce housing unit means a unit or a lot to be sold or rented to residents within one of the following income groups as established by the department. And it goes over very low which is essentially 50 percent or less; low which is 50 percent to 80 percent; below moderate which is 80 to 100; moderate...

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COUNCILMEMBER COUCH: Yeah, as long as it's defined that's fine. I didn't see it in the definitions. It was a definition of a definition.

MR. UEOKA: Yes.

COUNCILMEMBER COUCH: Yeah, okay sorry. 'Cause I looked.

CHAIR CRIVELLO: Further discussion?

COUNCILMEMBER COUCH: One last.

CHAIR CRIVELLO: Okay, Mr. Couch?

COUNCILMEMBER COUCH: We had talked about for a long time in this Committee about the 100 percent perpetuity and talk about community-based land trust kinda thing and making that as one of the things in here, and we had actually put the language in the previous bill we saw but it's not here anymore. So I was just wondering...

CHAIR CRIVELLO: I think it's still there. Mr. Ueoka, can you kinda lead us? And I don't see where we took it out.

MR. UEOKA: Chair, I believe it's on the...on Page 3 at the bottom. I guess it would be the underlying second sentence, if a developer satisfied the requirements of this chapter through Subsection B3 of this section and all the units shall remain available to only income qualified groups in perpetuity, the developer shall provide at least 20 percent.

COUNCILMEMBER COUCH: But we didn't talk about, oh, we're not...we had language about nonprofit and community-based...that was in the language we were working on before?

MR. UEOKA: I believe Section B3 talks about qualified housing providers.

COUNCILMEMBER COUCH: B3. Okay, as long as we got that in there.

MR. UEOKA: On Page 4

COUNCILMEMBER VICTORINO: B3.

MR. UEOKA: I'm sorry.

COUNCILMEMBER VICTORINO: No.

MR. UEOKA: I'm sorry, Page 5.

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COUNCILMEMBER VICTORINO: Five. Five, yeah?

MR. UEOKA: Five, yeah.

COUNCILMEMBER VICTORINO: Yeah, it's on Page 5. ...*(inaudible)*... nonprofit organization, community land trust ...*(inaudible)*... it's right there on the top of the page.

COUNCILMEMBER COUCH: Where?

COUNCILMEMBER VICTORINO: It's right there on the top of the page.

CHAIR CRIVELLO: Can you read that for him?

COUNCILMEMBER VICTORINO: I read this thing two times so I can kinda tell you where to go.

COUNCILMEMBER COUCH: That's, that's for rent.

COUNCILMEMBER VICTORINO: No.

MR. UEOKA: In lieu of directly selling or renting.

COUNCILMEMBER VICTORINO: For HUD sales, affordable sales ...*(inaudible)*...

COUNCILMEMBER COUCH: And that's bracketed out.

COUNCILMEMBER GUZMAN: It's bracketed out.

COUNCILMEMBER COUCH: That's bracketed out.

COUNCILMEMBER GUZMAN: It's deleted, Chair. I'm sorry, am I out of order?

COUNCILMEMBER VICTORINO: I apologize. It is bracketed out.

CHAIR CRIVELLO: No, it's not. Not No. 3.

COUNCILMEMBER GUZMAN: On Page 4, on the bottom.

CHAIR CRIVELLO: Page 5, No. 3.

COUNCILMEMBER GUZMAN: And it starts with --

CHAIR CRIVELLO: I wonder if we're all on the same page.

COUNCILMEMBER GUZMAN: --a developer.

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COUNCILMEMBER VICTORINO: A developer may partner...it's bracketed out.

COUNCILMEMBER GUZMAN: Yeah, bracketed out.

COUNCILMEMBER VICTORINO: Yeah, you're right. I read it so I know it was there. I don't know why they bracketed it out.

CHAIR CRIVELLO: I'm going to call a brief recess.

COUNCILMEMBER VICTORINO: Chair, look, wait, it's starts down on Page 4 and goes on to 5.

CHAIR CRIVELLO: ...*(gavel)*...

RECESS: 4:22 p.m.

RECONVENE: 4:24 p.m.

CHAIR CRIVELLO: ...*(gavel)*... We will reconvene. Thank you. So, Committee, you have it? Item 3?

COUNCILMEMBER VICTORINO: Yeah. Get 'em. Get 'em.

CHAIR CRIVELLO: Okay. Alright. In lieu of directly selling or renting units pursuant to Subsection B.1 or B.2, the developer may convey such units to a qualified housing provider subject to department approval pursuant to Section 2.96.150. You okay with that, Mr. Couch?

COUNCILMEMBER COUCH: Yep.

CHAIR CRIVELLO: Thank you. Any further discussion?

COUNCIL MEMBERS: Recommendation.

CHAIR CRIVELLO: Alright, I'd like to entertain a motion to recommend passage of the revised proposed bill, as revised on first reading, and filing of County Communication 13-221 in addition to allowing Staff to make technical and nonsubstantive revisions.

VICE-CHAIR COCHRAN: Change...Chair, so moved.

COUNCILMEMBER VICTORINO: Second, Madam Chair.

CHAIR CRIVELLO: Thank you. At this time, I'd like to entertain any further discussion. There being none...

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COUNCILMEMBER VICTORINO: Madam Chair.

CHAIR CRIVELLO: Yes, sir.

COUNCILMEMBER VICTORINO: Real quickly. Thank you very much. Thank the task force. I think this is a good start in the right direction. We may have to tweak it, but like everything else, until we try we're not gonna know. Thank you, Madam Chair.

CHAIR CRIVELLO: Thank you, Mr. Victorino. Mr. Guzman?

COUNCILMEMBER GUZMAN: Really brief, really brief Chair. I will support this at this time as a framework and I do hope and will follow your lead in going forward to look at the incentives and moving forward to the next phases of this ordinance. Thank you.

CHAIR CRIVELLO: Thank you. Chair Baisa?

COUNCILMEMBER BAISA: Good afternoon, thank you. You've spent a whole afternoon, and I don't know how many months looking at this and I really wanna congratulate you for sticking with it and getting us to today. This is really important. You know affordable housing is something we all know is a priority and I hope that this is a step in that direction, and I hope that the people that have been telling us for a long, long time that that 50 percent was a problem are now gonna step up and do what needs to be done. And I again encourage you to start with the Phase 2 right away because they might say, well we can't do it now 'cause we don't have the incentives. But thank you very much for the hard work.

CHAIR CRIVELLO: Thank you, Chair. Thank you. Mr. Couch?

COUNCILMEMBER COUCH: And I want to echo the same for...that everybody has said, thank you for herding us cats and getting it done. You've done a great job at it and I really appreciate the work, and I agree with. . .

CHAIR CRIVELLO: Thank you. I really wanna thank our community and I'd like to just say this publicly that I would hope from this Committee and under the...with the support of our Administration and the Department, I want to sincerely thank the Department, but that we can further look for other components that we can create housing solutions. And to work with the different entities that have come before us with major concerns about our workforce residential policy. And we can continue to, like Mr. Victorino always say, tweak, tweak, yeah? Let's continue to tweak this. So at this time, I'd like to call for the vote. All those in favor say, "aye"?

COUNCIL MEMBERS: Aye.

CHAIR CRIVELLO: All those opposed? Thank you! Motion carried.

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I, Carolyn Takayama-Corden, 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 12th day of December, 2014, in Makawao, Hawaii

A handwritten signature in black ink that reads "Carolyn Takayama-Corden". The signature is written in a cursive style with a large, prominent "C" at the beginning and a long, sweeping underline.

Carolyn Takayama-Corden