

**COUNCIL OF THE COUNTY OF MAUI**  
**HOUSING AND**  
**HUMAN SERVICES COMMITTEE**

April 7, 2006

**Committee**  
**Report No.**

\_\_\_\_\_ 06-51

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

Chair and Members:

Your Housing and Human Services Committee, having met on June 2, 2005, June 30, 2005, and March 13, 2006, makes reference to County Communication No. 05-190, from Councilmember Danny Mateo, relating to the matter of a first-time home buyers' fund.

By separate correspondence dated May 20, 2005, Councilmember Michael J. Molina transmitted the following: (1) a draft bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.30, MAUI COUNTY CODE, RELATING TO THE FIRST-TIME HOME BUYERS FUND". The purpose of the draft bill is to redefine the fund as a revolving fund and establish guidelines for the administration of the fund; (2) a document entitled "COUNTY OF MAUI FIRST TIME HOMEBUYERS ASSISTANCE PROGRAM - PROGRAM GUIDELINES", revised January 19, 2005; (3) The "Alhambra Redevelopment Agency First Time Homebuyer Program Guidelines"; (4) documents entitled "LOKAHI PACIFIC FIRST TIME HOMEBUYERS PROGRAM PROGRESS REPORT April 1998 to December 31, 2004" and "INCOME SCHEDULE BY FAMILY SIZE"; and (5) a document entitled "SHARED EQUITY LOAN PROGRAM GUIDELINES".

By correspondence dated June 2, 2005, Gladys Baisa, Executive Director, Maui Economic Opportunity, Inc., provided written testimony in support of a first-time home buyers' program.

At its meeting of June 2, 2005, your Committee met with the Director of Housing and Human Concerns; the Director of Finance; a Deputy Corporation Counsel; Jo Ann Ridao, Managing Director, Lokahi Pacific; and Kamaile Sombelon, Operations Manager, Lokahi Pacific.

There was no public testimony.

Your Committee notes that the Fiscal Year (FY) 2006 Budget appropriated \$400,000 to the First-Time Homebuyers Fund with a provision that legislation be enacted

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prior to implementation of the first-time home buyers' program. Your Committee further notes that the first-time home buyers' program will assist income qualified families by providing a low-interest loan to fund the down payment for the purchase of a home.

The Director of Housing and Human Concerns stated that the Department supports the intent of the draft bill. She further stated that the qualifying standards for applicants should be more flexible, the interest provisions of the loan should be clarified, and shared equity available to homeowners should be increased.

Ms. Ridao stated that Lokahi Pacific supports the draft bill. She further stated that the program will serve a broad group of households because it allows for incomes up to 120 percent of the County of Maui median annual income to qualify.

The Deputy Corporation Counsel advised that the requirement that the applicant be "[a] resident of the county for 3 consecutive calendar years from the date the application is submitted" violates the constitutional right to travel from one State to another and is therefore invalid.

The Director of Housing and Human Concerns stated that the draft bill allows the Director of Housing and Human Concerns or an authorized representative to award a grant for the implementation and administration of the first-time home buyers' program. She opined that the participants in this program would probably repay their loans well before the 15-year term had expired, and that these funds would then become available to another applicant.

Ms. Ridao noted that participants in the County of Maui First Time Homebuyers Assistance Program often refinance their homes because of increased equity and low interest rates.

The Director of Housing and Human Concerns stated that no additional U.S. Department of Housing and Urban Development (HUD) funding has been released for this program.

Your Committee requested that the Director of Housing and Human Concerns provide any correspondence with the Housing and Community Development Corporation of Hawaii (HCDCH), regarding any ongoing issues with the County of Maui First Time Homebuyers Assistance Program.

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Your Committee deferred consideration of the matter pending further discussion.

By correspondence dated June 7, 2005, the Chair of your Committee requested that Council members provide their proposed revisions to the draft bill.

By correspondence dated June 7, 2005, the Chair of your Committee transmitted Lokahi Pacific's "FIRST TIME HOMEBUYERS DOWN PAYMENT LOAN PROGRAM, Preliminary Home Ownership Application".

By correspondence dated June 7, 2005 the Chair of your Committee transmitted the following forms received from Lokahi Pacific: (1) "MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT"; (2) "REQUEST FOR NOTICE OF DEFAULT AND FORECLOSURE UNDER SUPERIOR MORTGAGES OR DEEDS OF TRUST"; (3) "NOTE"; and (4) "FIRST TIME HOMEBUYERS AGREEMENT".

By correspondence dated June 7, 2005, the Chair of your Committee requested that the Department of the Corporation Counsel explain why the residency requirement of three years should not be an established guideline for this fund; propose alternative language that may establish a residency requirement; and review and approve the draft bill as to form and legality.

By correspondence dated June 15, 2005, the Council Chair submitted proposed revisions to the draft bill.

By correspondence dated June 27, 2005, Councilmember Michael J. Molina submitted various examples of how other jurisdictions addressed residency requirements, loan forgiveness, and interest rates.

By correspondence dated June 29, 2005, the Chair of your Committee transmitted a revised draft bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.30, MAUI COUNTY CODE, RELATING TO THE FIRST-TIME HOME BUYERS FUND", incorporating your Committee's proposed revisions.

By correspondence dated June 29, 2005, Councilmember Michael J. Molina submitted proposed revisions to the draft bill.

At its meeting of June 30, 2005, your Committee met with the Director of Housing and Human Concerns; the Director of Finance; the Real Property Tax

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Administrator, Department of Finance; a Deputy Corporation Counsel; and Kamaile Sombelon, Operations Manager, Lokahi Pacific.

Your Committee received public testimony from one individual in support of a first-time home buyers' program.

Your Committee discussed the revised draft bill submitted by correspondence dated June 29, 2005 from the Chair of your Committee.

The Director of Housing and Human Concerns stated that the quickest way to implement this program would be to award a grant to a nonprofit entity.

Your Committee noted that the revised draft bill allows the Director of Housing and Human Concerns to implement the program within the Department or to implement the program through a grant to a nonprofit entity. Your Committee further noted that the revised draft bill requires the Director to submit a report on the First-Time Home Buyers Fund on or before September of each year.

Ms. Sombelon provided an overview of Lokahi Pacific's First Time Homebuyers Down Payment Loan Program. She stated that Lokahi Pacific does not charge the home buyer an administration fee because a fixed fee is included in the grant to establish the program.

The Deputy Corporation Counsel advised that the revised draft bill violates a person's constitutional right to interstate travel and would be subject to judicial challenge because it includes a three-year residency requirement.

Your Committee deferred consideration of the matter pending further discussion.

By correspondence dated July 6, 2005, the Department of the Corporation Counsel explained why a three-year residency requirement should not be an established guideline for this fund and provided alternative language for the revised draft bill.

By correspondence dated December 29, 2005, Councilmember Michael J. Molina transmitted an article from the November 2005 issue of *Mortgagepro News* entitled "Hawaii's closing costs second highest in U.S."; a document entitled "Median price and third quarter appreciation throughout the West"; and a document entitled "Sante Fe Homes Program Ordinance, Major Provisions Impacting Developers/Homebuilders".

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By correspondence dated February 14, 2006, the Chair of your Committee requested that the Department of the Corporation Counsel review and approve as to form and legality the revised draft bill.

By correspondence dated February 14, 2006, the Chair of your Committee requested that the Director of Housing and Human Concerns transmit any correspondence received from the HCDCH regarding its concerns with the County of Maui's First Time Homebuyers Assistance Program administered by Lokahi Pacific.

By correspondence dated March 6, 2006, the Department of the Corporation Counsel transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.30, MAUI COUNTY CODE, RELATING TO THE FIRST-TIME HOME BUYERS FUND".

At its meeting of March 13, 2006, your Committee met with the Director of Housing and Human Concerns and a Deputy Corporation Counsel.

Your Committee received public testimony from Jo Ann Ridaio, Managing Director, Lokahi Pacific, in support of the proposed bill. She proposed further changes to the bill and thanked your Committee for considering the issue. She also submitted written testimony memorializing her proposed revisions.

Your Committee discussed the proposed bill.

Your Committee asked how HUD's HOME Program differed from the program your Committee was recommending be created.

The Director advised that, under the HOME Program, the loan becomes a grant after 15 years if the owner does not sell or refinance the property. By contrast, the program being considered by your Committee requires that the loan be repaid within 15 years.

Your Committee recommended that Subsection 3.30.050(B) be revised to clarify that no interest would accrue, and that selling the property would trigger repayment of the loan. Your Committee further recommended that Subsection 3.30.040(B)(2) be revised to read "multi-family dwelling" instead of "condominium or apartment unit". Your Committee also recommended that the reference to "nonprofit" be deleted from

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Subsections 3.30.030(B) and 3.30.050(D), to allow the Department to contract with a bank or other agency to operate the program.

Your Committee voted to recommend passage of the revised proposed bill and filing of the communication.

Your Committee is in receipt of a revised proposed bill, approved as to form and legality by the Department of the Corporation Counsel, incorporating your Committee's requested revisions.

Your Housing and Human Services Committee **RECOMMENDS** the following:

1. That Bill No. \_\_\_\_\_ (2006), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.30, MAUI COUNTY CODE, RELATING TO THE FIRST-TIME HOME BUYERS FUND" be **PASSED ON FIRST READING** and be **ORDERED TO PRINT**; and
2. That County Communication No. 05-190 be **FILED**.

Adoption of this report is respectfully requested.

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**DANNY A. MATEO** Chair

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**JO ANNE JOHNSON** Member

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**JOSEPH PONTANILLA** Vice-Chair

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**CHARMAINE TAVARES** Member

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**G. RIKI HOKAMA** Member