

COUNCIL OF THE COUNTY OF MAUI

# BUDGET AND FINANCE COMMITTEE

April 2, 2004

Committee  
Report No.

04-65

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

Chair and Members:

Your Budget and Finance Committee, having met on March 10, 2004, makes reference to the following:

1. County Communication No. 03-224, from the Community Development Block Grant (CDBG) Coordinator, transmitting the CDBG Program Fact Sheet (Fact Sheet) for the 2004 Program Year and the 2004 Annual Action Plan (AAP) Submission Schedule; and
2. County Communication No. 03-270, from the CDBG Coordinator, transmitting a copy of the "Community Development Block Grant Program Project Evaluation & Rating" (Rating System).

Your Committee notes the following: (1) the Fact Sheet provides general information and requirements regarding the application process for eligible applicants interested in proposing projects for the 2004 Program Year; (2) the CDBG AAP Submission Schedule details the time-line for submission of the County's AAP to the U. S. Department of Housing and Urban Development (HUD); and (3) the Rating System describes the process that is implemented for the review, selection and recommendation of the 2004 Program Year project proposals.

Your Committee further notes that the CDBG program is a Federal grant program to assist local governments in meeting their community development needs that will primarily benefit low- and moderate-income persons and families. Each program or project must have a direct impact on the applicant's identified need, as well as meet at least one of the broad national objectives. The national objectives are as follows: (1) to principally benefit low- and moderate-income persons or families; (2) to aid in the prevention or elimination of slums or blight; and (3) to meet an urgent need (serious threat to community health or welfare).

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Your Committee further notes that eligible activities include, but are not limited to real property acquisition, public facilities and improvements, public services, housing rehabilitation, removal of architectural barriers, special development activities, historic preservation, and community development planning.

By correspondence dated December 1, 2003, your Committee's Chair requested a copy of the draft Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year July 1, 2002 through June 30, 2003.

By correspondence dated December 12, 2003, the CDBG Coordinator provided a copy of the CAPER for Program Year July 1, 2002 through June 30, 2003.

By correspondence dated March 2, 2004, the CDBG Coordinator transmitted the following:

1. A proposed resolution entitled "AUTHORIZING THE FILING OF AN APPLICATION WITH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, UNITED STATES OF AMERICA, FOR A GRANT UNDER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM".

The purpose of the proposed resolution is as follows:

- A. To authorize the Mayor or his representative to execute and file an application on behalf of the County of Maui with the HUD for a grant of \$2,404,518 to aid in the development of the following projects:

1. The Boys & Girls Club of Maui, Inc.                      \$ 150,000

Project: BGCM Building/Design West

Design,            planning,            permitting,  
environmental    review    requirements,  
engineering        and        construction  
administration for a new youth facility in

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West Maui to provide additional youth development programs

2. County of Maui, Department of Housing and Human Concerns \$ 383,250

Project: Central Maui Senior Center

Construction of a 2,922 square foot community center building, which is to be an integral component of the Central Maui Senior Housing Project

3. Maui Economic Opportunity, Inc. \$ 292,029

Project: Construct Hale O Loli in Wailuku

Business plan development, environmental review requirements, site selection, and architectural and engineering, planning and design for a 10-unit (group) transitional home for male ex-offenders released from Maui Community Correctional Center

4. Women Helping Women \$ 89,000

Project: Hale Lokomaikai Shelter Expansion Project

Architectural and engineering, planning and design, environmental review requirements, surveys, permits and construction documents for the expansion of the existing emergency shelter facility for victims of domestic violence and their children

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5. Hana Community Health Center, Inc. \$ 146,862

Project: Hana Nutrition Center - Design  
and Construction

Schematic, design and construction documents, environmental review requirements for the development of the Hana Community Health Center Nutrition Center, which will be a key component of the Health and Wellness Village

6. Hale Makua \$ 350,000

Project: Kahului Residential Dining  
Addition

Construction documents preparation, permitting, bid advertising and construction of a new dining room structure for its elderly care home facility in Kahului

7. Malama Family Recovery Center, Inc. \$ 75,000

Project: Malama Family Recovery Center  
Improvements/Expansion

Environmental review requirements and construction for the expansion of the Malama Family Recovery Center's main building by approximately 1,400 square feet, nearly doubling the current usable interior space to provide expanded substance abuse treatment service for women

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8. County of Maui, Department of Fire and Public Safety \$ 400,000

Project: Molokai Fire Engine/Apparatus

Specifications preparation, bid advertising, and procurement of a fully equipped dual role structural and wildland urban interface fire engine/apparatus for the Molokai community

9. County of Maui, Department of Housing and Human Concerns \$ 37,500

Project: Molokai Senior Center Improvements

Construction and related costs for the installation of five ductless air conditioning units in the Molokai Senior Center located in the Home Pumehana Elderly Housing Project

10. CDBG Program Administration \$ 480,877

TOTAL: \$2,404,518

- B. To authorize the Mayor or his representative to: (a) receive and accept any grant award; (b) execute and file all understandings and assurances contained therein; (c) furnish information as requested by the HUD in connection with the application which is authorized to be filed; (d) accept the grant upon its approval by the HUD; and (e) execute all documents necessary for the acceptance and implementation of any grant award received pursuant to the application filed.

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- C. To authorize, since the grant amount may vary, that the grant shall be applicable to the amount or amounts specified in the notification of grant award or similar comparable document, and that such amounts may be expended if appropriated under the terms of the budget ordinance or any amendment made to the budget ordinance.
2. A document entitled "Community Development Block Grant (CDBG) Program, 2004 Program Year (2005 County Fiscal Year), Program Administrative Account Budget".
3. A document entitled "County of Maui – CDBG, 2004 Annual Action Plan (AAP), Submission Schedule, Revised March 1, 2004".

By correspondence dated March 3, 2004, the CDBG Coordinator provided further explanation of the new procedures for the 2004 Program Year, and transmitted copies of executive summaries of recommended projects.

By correspondence dated March 9, 2004, the CDBG Coordinator transmitted a revised proposed resolution to delete the word "male" from the description of project number 3, the Maui Economic Opportunity, Inc. (MEO) project to "Construct Hale O Loli in Wailuku".

By correspondence dated March 9 and 10, 2004, your Committee received (via facsimile) 49 letters and one petition with 25 signatures in support of the Hana Community Health Center project.

At its meeting, your Committee met with the CDBG Coordinator, a CDBG Program Specialist, and the First Deputy Corporation Counsel.

The CDBG Coordinator provided an overview of the CDBG process. She reported that, on an annual basis, the County applies for grants from the HUD, under its HUD-Assisted Small Cities CDBG Program. The County's allotment for the 2004 Program Year is \$2,404,518.

The CDBG Coordinator explained that the County's CDBG program was assessed by HUD as a "High Risk" due to the instability of the program

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administration. The high-risk designation put the County in jeopardy of losing its CDBG funding. In addition, she noted that one of the major concerns in the Council-directed audit conducted by Carbonaro CPAs was the selection process used in the evaluation of applications. The CDBG Coordinator stated that an additional concern related to the backlog of CDBG projects from prior years. She explained that the Federal regulations require that projects be completed within five years of initiation.

The CDBG Coordinator informed your Committee that her office evaluated the CDBG practices in consultation with HUD. With HUD's approval and oversight, the audit findings and recommendations were used as the basis to address the internal control deficiencies. The new screening, evaluation and selection procedures were modeled after the methodology used by the County of Hawaii, which is considered a HUD "model" CDBG program. She stated that the new procedures address the concerns regarding subjectivity and favoritism because all discretionary authority of the Administration and the Council is eliminated through this competitive selection process.

The CDBG Coordinator stated that the County's risk designation was reduced to "Moderate Risk" as a result of the aggressive improvements in the last six months.

Your Committee received public testimony from two persons in support of and one person in opposition to the Hana Community Health Center project. One person testified in support of the MEO reintegration project. Your Committee received testimony from four individuals of nonprofit organizations conveying support for their respective funding requests.

At its meeting, your Committee received the following documents: (1) copy of correspondence dated March 9, 2004, from Mark A. Chandler, Director, Office of Community Planning and Development, HUD, recommending that the County consider funding its CDBG program office for the maximum allowable planning and administrative cost (20 percent of the County's allotment or \$480,903); (2) copies of correspondence dated August 28, 1995 and February 19, 2000 submitted by John Blumer-Buell, relating to the Hana Community Health Center; and (3) written testimony dated March 10, 2004, submitted by Diana Hutchinson, Executive Assistant, Hale Makua, in support of the Hale Makua project.

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The CDBG Coordinator described the process for consideration of applications for CDBG funding. The projects needed to meet certain minimum requirements established by HUD and her office. These requirements included: (1) application submission requirements; (2) application eligibility; (3) project eligibility; and (4) HUD national objectives.

The CDBG Coordinator stated that upon meeting the threshold requirements, each application was evaluated utilizing a rating and point assignment process that considers the following elements: (1) Consolidated Plan Priority; (2) Project Impact; (3) Project Viability; (4) Project Long Term Outlook; and (5) Applicant Attributes. Points for each of the priority elements were compiled and the projects were ranked. The final selection was based on the ranking of the projects. The CDBG Coordinator informed your Committee that all projects received the level of funding they requested, with the exception of the last ranked project, whose funding was reduced to the level of funding remaining for distribution.

Your Committee expressed concern that the Regional HUD Office was removing the Council's discretion to adjust the recommended projects if new information became available after the evaluation process. As described in correspondence dated February 18, 2004, from Mark A. Chandler, Director, Office of Community Planning and Development, HUD, to Mayor Arakawa (included with correspondence dated March 3, 2004 from the CDBG Coordinator), "...any action that may be taken by both the Mayor's Office and the County Council during its review of the County budget...will constitute a rejection of the procurement process and the County must initiate a new RFP and/or comply with additional Consolidated Plan requirements". As explained by the CDBG Coordinator, this rejection would deny all of the remaining projects, require the County to begin the proposal process again, and put the County in jeopardy of returning to a high-risk designation.

The CDBG Coordinator described each of the recommended projects.

After extensive discussion, your Committee expressed concerns about the County's inability to modify the resolution and to improve the review process. In addition, your Committee expressed the need for the Administration to consider



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directing funds in the CDBG program office budget to reduce the backlog of projects that have not been completed.

Your Committee recommended that the revised proposed resolution be further revised to change the name of MEO's project from "Construct Hale O Loli in Wailuku" to "The BEST House", as requested by the applicant, and to make typographical corrections. The applicant explained that "BEST" is the acronym for "Being Empowered and Safe Together".

Your Committee voted to recommend adoption of the revised proposed resolution and filing of the communications.

Your Committee expressed serious concerns regarding the limitation on the Council's ability to make modifications to the resolution without rejecting all of the proposals. HUD's restrictive language prohibits the Council from responding to the current needs of the community.

Your Committee is in receipt of a revised proposed resolution entitled "AUTHORIZING THE FILING OF AN APPLICATION WITH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, UNITED STATES OF AMERICA, FOR A GRANT UNDER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM", incorporating your Committee's requested revisions.

Your Budget and Finance Committee **RECOMMENDS** the following:

1. That Resolution No. \_\_\_\_\_, as revised herein and attached hereto, entitled "AUTHORIZING THE FILING OF AN APPLICATION WITH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, UNITED STATES OF AMERICA, FOR A GRANT UNDER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM", be **ADOPTED**;
2. That County Communication No. 03-224 be **FILED**; and
3. That County Communication No. 03-270 be **FILED**.

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Adoption of this report is respectfully requested.

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**G. RIKI HOKAMA** **Chair**

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**DANNY A. MATEO** **Member**

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**WAYNE K. NISHIKI** **Vice-Chair**

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**MICHAEL J. MOLINA** **Member**

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**ROBERT CARROLL** **Member**

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**JOSEPH PONTANILLA** **Member**

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**JO ANNE JOHNSON** **Member**

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**CHARMAINE TAVARES** **Member**

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**DAIN P. KANE** **Member**