

COUNCIL OF THE COUNTY OF MAUI
COMMITTEE OF THE WHOLE

March 21, 2003

**Committee
Report No.**

03-24

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

Chair and Members:

Your Committee of the Whole, having met on March 5, 2003, makes reference to County Communication No. 02-226, from the Director of Housing and Human Concerns, transmitting the following:

1. A proposed resolution entitled "AUTHORIZING A GRANT OF A LEASE TO OCCUPY COUNTY REAL PROPERTY TO HALE MAHAOLU EHIKU, INC."

The purpose of the proposed resolution is to authorize the grant of a lease to occupy approximately 6.012 acres of County real property located in Kihei, Hawaii and identified as TMK: (2) 2-2-002:073, to Hale Mahaolu Ehiku, Inc., for the purpose of constructing and operating an affordable, elderly rental housing facility, and related administrative offices and support facilities and programs.

2. A proposed grant agreement entitled "GRANT AGREEMENT FOR A LEASE OF COUNTY REAL PROPERTY".

The purpose of the proposed grant agreement is to acknowledge that Hale Mahaolu Ehiku, Inc. has applied for a grant of a lease of real property located in Kihei, Hawaii and identified as TMK: (2) 2-2-002:073 to construct and operate an affordable, elderly rental housing facility for a period of 75 years, at a rate of less than fair market rental, or \$1.00 per year. The fair market rental value of the property is \$76,293 per year.

3. A proposed lease agreement entitled "LEASE".

The purpose of the proposed lease is to establish the terms and conditions for the use of the property by Hale Mahaolu Ehiku, Inc.

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Your Committee notes that County Communication No. 02-226 was referred to the prior Council's Human Services and Economic Development Committee at the Council meeting of November 1, 2002.

At its meeting of November 14, 2002, the Human Services and Economic Development Committee recommended that County Communication No. 02-226 be referred to the Council Chair for the term beginning January 2, 2003, for a recommendation as to referral or other disposition (Committee Report No. 02-182). At its meeting of December 6, 2002, the Council adopted Committee Report No. 02-182.

At its meeting of January 10, 2003, the Council referred County Communication No. 02-226 to your Committee of the Whole (County Communication No. 03-9).

By correspondence dated February 18, 2003, the Chair of your Committee noted that the Mayor had previously suggested that an alternate location be identified for this project. The Chair requested that the Mayor provide a written update on the status of identifying a site for the Hale Mahaolu Ehiku, Inc. (Hale Mahaolu) project.

By correspondence dated February 25, 2003, the Mayor responded in favor of granting the lease to Hale Mahaolu at the originally identified site, TMK: (2) 2-2-002:073, Kihei, Hawaii.

By correspondence dated February 27, 2003, the Department of the Corporation Counsel transmitted a revised proposed resolution entitled "AUTHORIZING A GRANT OF A LEASE TO OCCUPY COUNTY REAL PROPERTY TO HALE MAHAOLU EHIKU, INC.". The revised resolution corrects a typographical error found in the earlier version of the resolution.

By correspondence dated February 27, 2003, the Chair of your Committee requested that both the proposed grant agreement and proposed lease agreement be updated to reference the current Administration in the signature and notary blocks of each document.

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By correspondence dated February 27, 2003, the Department of the Corporation Counsel transmitted the revised grant agreement and lease.

At its meeting, your Committee met with the Director of Housing and Human Concerns; the First Deputy Corporation Counsel; and Roy Katsuda, Executive Director, Hale Mahaolu.

Your Committee received testimony from four individuals, each of whom supported the lease. The testifiers noted a need in the Kihei community for the service to be provided by Hale Mahaolu, citing the growing elderly population.

Mr. Katsuda presented written and verbal testimony in support of the lease of the 6-acre site. He informed your Committee that Hale Mahaolu had performed marketing and feasibility studies, and that Kihei is the fastest growing area in Maui County. Hale Mahaolu's proposal for the initial phase of the project is for a 54-unit senior complex, with 120 units when fully built. Hale Mahaolu would also like to add an adult day care feature, a senior center, and eventually, an adult residential care home.

One Committee member addressed the history of the County's acquisition of the property. The County lacked park space, and the area was purchased specifically for park purposes. The Committee member expressed concerns over leasing the property for a 75-year period for the nominal fee of \$1 per year, and questioned why Hale Mahaolu was not proposing to purchase the land.

Mr. Katsuda responded that Hale Mahaolu preferred to purchase the land because it would help the agency to fully develop the parcel. Hale Mahaolu had also looked at other areas in Kihei that might be appropriate for the project. He indicated that the subject parcel does slope and if developed as a park, it may require quite a bit of filling or excavation to level the site. Hale Mahaolu would be very willing to purchase the land, but when the agency originally consulted with the Director of Housing and Human Concerns as well as some Council members, the recommendation was to lease rather than purchase the property. Hale Mahaolu had proposed paying a pro rata share, which the Executive Director believed might approximate to \$120,000-\$180,000. At the moment, leasing is the quicker avenue to gain site control.

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The final testifier was Mayor Alan Arakawa, who also supported the project. The Mayor stated that the proposal had been analyzed very carefully, and that his Administration took a long time to concede the property to Hale Mahaolu. They looked at other property in the region and tried to come up with a compromise within a short timeframe. As part of the concession, the Mayor would like the Council to expedite consideration of a separate, 110-acre versus 150-acre exchange of parcels in Kihei. The Mayor expressed a need to put a police station in Kihei, and stated that he had originally hoped to put the station and possibly a gymnasium on the 6-acre parcel. Nonetheless, at this juncture, the Mayor stated that the Administration is very much in favor of allowing Hale Mahaolu to have this parcel. The Mayor requested authority to negotiate with Hale Mahaolu to purchase the property and also requested that the Council expedite the land swap to accommodate a police station.

Mr. Katsuda informed your Committee that the United States Department of Housing and Urban Development (HUD) requires a minimum 55-year lease to obtain the funding. He indicated a willingness to negotiate with the County to purchase the property, but without timely site control, funding would be jeopardized.

The Director of Housing and Human Concerns provided a brief overview of the essential terms of the lease. The Director also confirmed earlier discussions with Hale Mahaolu concerning a possible purchase of the property. However, the timeline governing the project and pending HUD funding did not afford enough time to go through the procurement process, which would involve a Request for Proposal, an appraisal, and a determination of fair market value. The Director stated that the County does not have the authority to ask someone to pay a pro rata share. Procurement and financial procedures are very specific. The Department of Housing and Human Concerns may end up coming back to the Council with some kind of a grant request, but this will take time and some research by the Departments of the Corporation Counsel and Finance. In the meantime, the Director opined that the lease would be the quickest alternative.

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

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Your Committee of the Whole RECOMMENDS the following:

1. That Resolution No. _____, as revised herein and attached hereto, entitled "AUTHORIZING A GRANT OF A LEASE TO OCCUPY COUNTY REAL PROPERTY TO HALE MAHAOLU EHIKU, INC.", be ADOPTED; and

2. That County Communication No. 02-226 be FILED.

Adoption of this report is respectfully requested.

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