

MINUTES

**SPECIAL COMMUNITY ASSISTANCE/
INTERGOVERNMENTAL RELATIONS COMMITTEE WORKSHOP
BILL NO. 2202
RELATING TO THE HOUSING POLICY FOR THE COUNTY OF KAUAI**

February 27, 2007

A special meeting of the Community Assistance/Intergovernmental Relations Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Councilmember Shaylene Iseri-Carvalho, Chair, at the Historic County Building, Room 201, Lihu'e, Kaua'i, on Tuesday, February 27, 2007, at 9:20 a.m., after which the following members answered the call of the roll:

Honorable Shaylene Iseri-Carvalho
Honorable JoAnn A. Yukimura
Honorable Tim Bynum
Honorable Ron Kouchi
Honorable Mel Rapozo
Honorable Bill "Kaipo" Asing (non-committee member)

EXCUSED: Honorable Jay Furfaro (non-committee member)

The Committee proceeded on its workshop as follows:

SHAYLENE ISERI-CARVALHO, COMMUNITY ASSISTANCE/IGR RELATIONS COMMITTEE CHAIR: At this time, the Special Community Assistance/Intergovernmental Relations Committee is now called to order. May the record reflect that all members are present or in the building and will be here shortly. The Kaua'i County Council's Community Assistance/Intergovernmental Relations Committee will be holding a workshop to discuss the proposals of Article 2, requirements and satisfaction and Article 3, satisfaction alternatives of the proposed housing policy for the County of Kaua'i as contained in Bill No. 2202. It is the intent of the Committee Chair that this be the first of a series of workshops to discuss the proposed housing policy that is outlined in Bill No. 2202. At this time, I would like to introduce the facilitator for today's workshop which is Diane Zachary. There she is and she will be basically conducting the entire meeting. At this time, unless there is any other questions from Committee members, what I intend to do is turn over the meeting to Ms. Zachary. Go ahead. Thank you.

There being no objections, the rules were suspended.

DIANE ZACHARY: I appreciate you being here, so the format of the day is that we are going to have a PowerPoint presentation by Ken Rainforth on the housing policy and then we will open it up for your comments. Just to go over the ground rules, so to speak, of the hearing now and I will remind you again later, there are four (4) primary points. The first is that today for the comment portion we'll be really focusing only on Article 2 and 3. So if you have comments on any of the other articles, there will be future opportunities to comment, but not today. Additionally, we really want to know the areas that you support in the housing policy, so if there are things that you would like, let us know. Secondly, if there are areas that you think should be changed in some way, let us know specifically what changes do you suggest, what are some solutions, so that it might be improved. Lastly, there is not going to be a time limit for your comments, but we do ask you to stick to your points and not wander off onto other things and I will ask for indulgence if I need to bring you back to the Articles 2 and 3, please let me do so. Now I am just going to turn it over to Ken for him to do his PowerPoint presentation.

KEN RAINFORTH, EXECUTIVE ON HOUSING: Good morning. We have a short PowerPoint presentation to accomplish two (2) things. First of all, to give Councilmembers and members in the audience the opportunity to understand where the proposed policy came from and then to give a summary of the Articles 2 and 3. Article 2 being the specific housing requirements for exactions that are being requested and Article 3 being alternatives that a developer could provide. First of all, back in 1995, 1994, 1993, the Housing Agency worked with a number of developers to put down in writing what type of requirements a developer should be responsible for when developing any type of a project. We drafted a document and it was submitted to the County Council, the County Council referred it to the Planning Commission and the County Attorney at the Planning Commission said that a County would first be (inaudible)... adopt a development agreement ordinance before any kind of a housing policy could be considered. So it pretty much died there as far as adopting that policy. We pursued it for some time and didn't receive much support, but needless to say, the Housing Agency used this document from that time on until today to enable itself to provide recommendations to the Planning Commission and also to the County Council.

In 2003, Mayor Baptiste wanted the Housing Agency to create an advisory committee, so we formed the committee and seven (7) members of that committee helped us to or decided that they wanted to take on the challenge of helping the Housing Agency put together a housing policy for Kaua'i. What this committee did was looked at the policy that Maui was considering. We looked at the policy that Hawai'i County had just completed and adopted in their amendments to 2004 I believe. We also looked at an interesting place in Davis, California which seemed to have a very aggressive affordable housing component to their land use. So we looked at all three (3) of these primarily... we looked at other jurisdictions as well,

but these seem to be the ones that we thought we should borrow from most extensively in preparing our own policy. The determination of this committee came down to those four (4) bullets that you see that... there be a 25% affordable housing or work force housing requirement and that 10% of that would be provided by the developer dedicating land to the County, and the County or a non-profit developing loan income housing. And then at 15% of a project should be targeted to specific income groups and we specified that 80% of the median income, 100% and 120% of the median income that these units should be economically integrated within the entire project. We also wanted or thought that this housing requirement should be imposed at the permitting level and subdivision level. Consequently, we had meetings with the Planning Department and the County Attorney's Office who really suggested that we should just look at having our housing policy considered at zoning. So when we re-wrote the draft of the policy, we dropped out the mention of having it imposed at permitting and subdivision.

During the last process of preparing the draft for the Council, Mayor Baptiste also wanted to add the gap group to the affordable housing requirements and, so the then 25% requirement jumped up to 40%, but included households who would earn 140%, 160% and 180% of the Kaua'i median income. He also specified that or at this time, understood that a stock of permanently affordable housing was a good thing and that the County needs to promote this concept, so he specified that the lower affordable sales, those sales from 80% to 120% should be leasehold sales. So with that, we completed the draft document and submitted to the County Council. The first reading was on October 25, and I missed writing down... the public hearing was on December 6, and now we are here for our first workshop. What the policy does overall is... purpose was to try and standardize assessments and to let developers know what was expected from the County as far as providing housing. The concept is that without adequate housing for Kaua'i's workforce, we would have economic difficulties which we have now. We also wanted to explore methods to preserve affordable housing and keep it perpetual. We have been using the word workforce in this proposed document. It has become a more popular term. The Maui housing policy which was adopted December 2006 is a workforce housing policy. HUD is using the word and we believe that Kaua'i should also start using the word workforce. It is really supposed to encompass all the type of housing that we have been looking at and working with over the last 20 or 30 years including low income, affordable, gap group and employee housing.

Article 2, as I said before, gives a specific requirements for developers. As I said before, the policy suggests that these requirements be imposed at zoning amendments. There would be different thresholds for different types of zoning. For residential projects, there will be a threshold of five (5) units. For resort projects, there would be 50 rooms or more or resort, commercial, industrial which had 100 or more full-time equivalent jobs, that would trigger the workforce housing requirement. Workforce housing units are intended to be similar to the market

units. Units are intended to be located on site and units are intended to be economically integrated. These principles work with the residential projects; however, with resort, commercial, industrial type of projects, they would need to be altered of course because you wouldn't want to have housing on a commercial site. The current policy calls for 40% workforce housing and it is broken down really into three (3) groups. 10% can be looked at as a land dedication, 15% as a leasehold sales and 15% as fee simple sales. For the land dedication portion of the assessment, we are not necessarily looking at the developer carving out 10% of their projects, total site, but to look at the density that their project has and provide enough land, so that 10% of the total units could be built at a density that wouldn't exceed 14 units per acre. Once that land was dedicated to the County, it would be developed by the County or a non-profit for low income housing. This is for 80% of the median income and below. For the first group of sale units, 5% of the units would be affordable to households earning 80% of the median income, 5% for 100% of the median income and 5% for 120% of the median income. These will be leasehold sales with the title going to the County of Kaua'i. The second group of for sale units will be fee simple sales and also at 5% increments addressing the 140, 160 and 180% of the Kaua'i median income to preserve the affordability. These units that would be buyback attached. At present, the proposal calls for a 10 year buyback on the first group at 140% median and it decreases to 7 years and 5 years.

Article 3 of the proposed ordinance provides alternatives that the developer could consider, but would need to get approval from the County Council. The developer could build rental units in lieu of the for sale units, but address the same income groups. The residential developer could have their for sale units off site, but if so, they should address households whose income groups were one step lower. For example, if they were providing housing for 120% of median income and they did it off site, they should address housing affordable to households earning 100% of the median income. There is an in lieu fee calculation, but it is not to exceed a quarter of a million dollars per unit. There is also the provision of land in lieu and the land in lieu is the value of that lands would be used in the in lieu fee calculation. And then if a developer chooses not to donate or dedicate the 10% land, they could provide housing affordable to households earning 60% of the median income. I think that is the end of the slide show. Any questions from Councilmembers?

Ms. Yukimura: I guess I do. May I go ahead and ask? Okay. What is the rationale for requiring and maybe I need to see the slides, but what is the rationale for requiring leasehold properties for the income brackets from an 80% to 100%, but just buybacks for the 140% to 180%?

Mr. Rainforth: The Mayor wanted to include provisions for permanently affordable housing other than the properties that the County would be developing on the 10% land donation.

Ms. Yukimura: Because the 10% donation will be permanently affordable anyway, right?

Mr. Rainforth: So he wanted to extend that concept and decided that the lower of the two (2) income groups should have the assessment. I think a better way would be that the County itself should make a determination on whether or not a particular housing project at a particular price should be leasehold or fee simple.

Ms. Yukimura: So you are saying that it should be done on a case by case basis?

Mr. Rainforth: I think the County needs to do some due diligence and look at the project to see whether or not it is feasible and a good idea. There is a factor pointed out by D.R. Horton in their testimony at the public hearing in December where there is a potential gap in the financing. You see, the affordable prices that will be calculated by the Housing Agency will be based on fee simple sales, so if a developer is going to build and sell units which they have the approval of the County Housing Agency that the price could be, say, \$300,000, but this unit has to be a leasehold sale and the banks appraised that leasehold value at say \$225,000... there is a \$75,000 difference between what the developer could sell the unit at the affordable price and what the leasehold value would be that the bank would finance. It is my contention that the County should make a decision at this point and if it wants to see leasehold sales, it should buy those units at \$300,000 and then turn around and sell them as a leasehold estate for the \$225,000. It would need a source of funds to be able to make that \$75,000 investment in owning the land, but I think that is part of what it takes to have a community housing land trust, you need to invest in the land.

Ms. Yukimura: And that is not an issue with respect to 80% to 120% of median income homes? I mean, that is just an issue with respect to the 140% to 180%?

Mr. Rainforth: It is an issue with any leasehold sale regardless of what income group it is targeted to. Basically, the leasehold value that the lender would look at would be the building on improvements value, but there is more to real estate than just the building. There is the land and the improvements to the land which won't be mortgaged by a lender because they belong to somebody else, the County.

Ms. Yukimura: Uh huh. Okay, I mean, this is... my question was, what is the rationale for the difference between hundred... the way you treat the 80% to 120% and the way you treat 120% to 140%, that was my question because it is a difference at least according to the Mayor's proposal is that the 120% to 180%...

excuse me, 80% to 120% be treated as a leasehold and I presume at the time that they are created, the fee goes to the County and the house is...

Mr. Rainforth: Goes to the buyer.

Ms. Yukimura: Okay, and then there is a differential treatment for the 140% to 180% and my question was, why? What is the rationale? I mean, I think we have to keep in mind what our goals are here, right? As a community, our goals for me, is permanent affordability. If we are going into those brackets, even in those brackets because the guys in the 120% to 140%, they may want to move up. Maybe if we are talking about an inventory of affordable housing like in the cooperative housing, people can move from unit to the... like a studio to a three (3) bedroom house when they add two (2) more kids and then they move back to a studio when their kids leave the house and they are a retired couple. I mean, that is... I am trying to understand, first of all, what are our overall goals and how are these different proposals meeting our overall goals?

Mr. Rainforth: I will try to answer that question. It is a very important one and something I think about all the time and discuss with people.

Ms. Yukimura: I know you do.

Mr. Rainforth: The leasehold concept is not new to Hawai'i, but it is in a fading trend on O'ahu and it was hardly ever practiced on Kaua'i. So we are introducing something that is pretty new except for lessees and DHHL land. So we have a new concept.

Ms. Yukimura: That trend has come back, yes?

Mr. Rainforth: Yes, it has come back, so this is a new thing, so instead of leaping ahead with both feet without looking where you are leaping, I think it is a bad idea. I think we ought to look first and then leap. Let's see how it works. When we were starting to work with the leasehold concept with our buybacks and tomorrow we can talk about that at Council session. We have a matter on the agenda. In drafting the proposal that you have before you, I always wanted to have the opportunity for the County to practice leasehold ownership, but to give the County the option to select when and where it wants to do it when it made economic and feasible sense for the County to do it, to do the leasehold.

Ms. Yukimura: But economic sense to whom?

Mr. Rainforth: To the County.

Ms. Yukimura: Okay.

Mr. Rainforth: Economic sense to the County, so, therefore, I didn't want to say all these sales should be resold because I still, in the back of my mind, still have this feeling that owning something... owning a piece of real estate is really important thing for most people who... anybody who wants to buy their own home. It is really owning their home if they own it in fee simple. So that is something that we have done in this State for 50 years and myself for almost 30 years, we've done that type of sales. So it is hard to step away from that in just one instant and we don't think that one shoe fits all. We think the leasehold is very important and it needs to be pushed forward as hard as we can, but there still needs to be opportunities for fee simple sales. I believe the proposed buybacks we have on them are probably too short and they should be longer, but I don't believe that all of the units that we are asking developers to provide should be leasehold sales at this time.

Ms. Zachary: Thank you Ken very much. I'd like to give Council Chair Asing a chance to ask a question also.

Chair Asing: I guess Ken, you and I talked about this kind of at length and, you know, I had leasehold property. I lived in Honolulu for 15 years, so the first home that I got was leasehold. St. Louis Heights, Chaminade College owned the property... probably about 150 units up at St. Louis Heights, so I know a little bit about leasehold. I can tell you that over a period of time, I was not very comfortable because over a period of time, what I started to find when the 10 years and 15 years and when it got to 20 years, I started to think, oh, oh, what is going to happen? Is my leasehold going to be... do I have to pay more. The feeling of security, the feeling of not being able to... it is not mine and it was very uncomfortable and I have difficulty in agreeing with leasehold. I think most people want to get a place and they want to own it (inaudible) fee. So I just want to express that I am against leasehold only because I have been exposed to it. I finally bought the... because it was sold after a period of time and at that time, there was a whole outcry in entire Honolulu, Bishop Estate, Campbell Estate, Robinson Estate, you name it had to work (inaudible) end up selling. But I was just uncomfortable and I don't agree with it, so we will leave it at that. The one other thing that I think my main concern is that, you know, we are looking at this and my interest is really from the developers point of view, if this isn't going to work for them, we are not going to get any housing, so I think the very first step for me is, I would really like to hear the developers come out and say, you know, if it is reasonable, it can be done, fine. If it is not going to work, they are not going to put any units up. They are not going to develop period, so I think it is so important that we get the feedback from the developers on, is it reasonable? From some of the feedback that I am getting, it won't work. The numbers just are not going to come out and they are not going to develop. So, I think, to me, that is the most important thing. We have to have them at least reasonable buy in. If they don't, there is no housing for us. It

is even worse, so where I am coming from, my key is, do the developers feel fairly comfortable. You know, I don't want them to feel very comfortable, so that it is easy for them. That is not what I want, but if it is just to a point where, you know, if this passes, forget it, you know, you are not going to get housing. So that is important to me to get that feedback. Thank you.

Ms. Zachary: I think you raised a really important point and that is certainly the purpose today is to hear from what the developers... what they think, is it going to work? Let's see if a few other Councilmembers have questions of Ken and then we will move to that part of the agenda. Councilmember Rapozo?

MEL RAPOZO: Thank you. Ken, I am glad to hear that you think the buyback should be longer because that is one of my concerns. Actually two (2) concerns and I think I brought it up at the... I don't know if it is was the public hearing or at one of our prior meetings, but as it is written right now, there is no opportunity for anybody below the 140% median income group to purchase a home.

Mr. Rainforth: Not necessarily. In another Article in the same ordinance, there is provisions on how we would go about marketing the affordable units and during the first, I think 90 days, the units have to be offered to the specific income group that they were intended. If the all the units are not sold, then you go to the next higher income group. As far as lower income people below 120 buying units up in the fee simple range, there is nothing to prevent them from doing that if they have the financial capacity to do so. Did that answer your question?

Mr. Rapozo: Sort of, but there is no... obviously, I don't think... probably won't have the ability to do that financially. I (inaudible) expect somebody with the 80% to purchase a home at the 160%. You know, it is more of a question of, as JoAnn called it, rationale. Why wouldn't we have some kind of program that would give someone 80% an opportunity to actually purchase as opposed to lease.

Ms. Yukimura: We do have in the self help.

Mr. Rapozo: No, I am talking about this policy as it is written here.

Mr. Rainforth: Part of the concept for this leasehold, for me at least, has been the dramatic change in the cost of development now. In all the affordable projects ever built on Kaua'i, there has never been a direct subsidy provided for those for sale. There might be staff time from the Housing Agency or land provided at little or no cost.

Ms. Yukimura: That is a huge subsidy.

Mr. Rainforth: But no direct subsidies, but what we have been talking about lately and principally when answering the question that Councilmember Yukimura gave me some time ago. There was a question about the subsidy and in my discussion with the Housing Directors throughout the State and housing officials, it is only at the 140% of median income level that a developer is going to be able to break even. Anything under that, the developer is going to be providing a cash subsidy. There are going to be... they will have to make that up on the other end with the market sales. So for the first time anybody developing these affordable workforce housing units is going to have to be subsidizing the price because it is going to cost more to build than they are able to sell it. So we have never been in this position before and the question is, does government forcing this to happen. Does government give away this equity even if somebody has to wait for it? The thing is, no, our obligation is to provide housing opportunities for our residents and that is what the leasehold program can do. It doesn't have the security issues that Chair Asing talked about because the 99 year lease can be renewed. It can be changed to an heir. It can go on forever, but you don't own the land, so you can (inaudible) the real property appreciation of the land. You will get the appreciation of the building, but not the land.

Mr. Rapozo: Yes, and I understand that. I think there is a place for some leasehold here, I really do, but I agree with what the Chair is saying as well.

Mr. Rainforth: What we are trying to do is, you know, that most residents on Kaua'i cannot afford anything that is being sold on Kaua'i. The cheap prices now at \$450,000 and that you need at least 200% of the median income to buy that. So what are we going to do for our residents who make 100% of the median income? Let them go to Vegas and mainland and try and live or should we try and have some kind of housing opportunities that they could stay here.

Mr. Rapozo: I am not disagreeing with the leasehold concept. I think that is a good concept, but I think we should also have some opportunities for the 80%, 100%, 120%, to actually own a home, but that is fine, I understand that. The other thing is, will you folks be coming back with another recommendation for the buyback period?

Mr. Rainforth: We would like to make many proposed amendments to the proposed ordinance. There is a lot things that we need to correct I think.

Mr. Rapozo: Only because I know I mentioned this the last time was that sliding scale where the lower income bracket is required to hold onto the property longer than the higher income bracket whereby the richer household can sell their property sooner and make a profit than the lower income bracket which I don't know if that is necessarily fair. The person that is at 180% can really turn around and sell it in five (5) years as opposed to the 140 which would have to wait 10 years.

I think it should be standard right across the board, number 1, and I think it should be longer as well. So that is just my... and I am hoping to see that in the amendments.

Ms. Zachary: I know that we do want to hear from the people who are here in the room, so Councilmember Yukimura, is there any Councilmember who has a question for Ken? Okay, so Councilmember Yukimura, then Councilmember Bynum and Iseri-Carvalho.

Ms. Yukimura: Okay, I appreciate all the answers that you have given. The 140 to 180% of median income, in a different market, and we may be moving toward that, may become market housing, could it not?

Mr. Rainforth: It is possible, yes. Right now, well, when we were drafting the proposal, the 180% of median income, we figured could afford a housing unit in the \$300,000 to \$350,000 range and we were looking at 6% rates.

Ms. Yukimura: Okay, so, I mean, I have this sense that the County shouldn't be tampering with housing... that the market can provide and, so, you know, what is the mechanism for when the market starts to provide it where we start doing away with our requirement? That is one question and then the other question is, is the provision of 140 to 180% housing, median housing, as a requirement of developers, can that be done in another way such as offering low interest loans to homeowners? My sister in Seattle, for example, bought her home with a, I think, 1% interest from the city or the city subsidized the interest rate. You know, and it is about how we use the money... you know, our taxpayers money, is there a more... is there a better way to leverage the money getting the same results and I am not sure I am being really clear here and maybe even some of the private sector people or some of the other Councilmembers can help me and maybe I should go back to Seattle and investigate that program. But, you know, you are also saying that we will buy leaseholds... maybe we just subsidize things that are near market or market housing. The interest rates, you know, I don't know. I am just trying to see what are the more simple... administratively simpler, higher leverage, that is more bang for our taxpayer buck. Are there those ways to go or other alternatives to these buybacks or developer requirements?

Mr. Rainforth: I am not sure if those were questions or statements?

Ms. Yukimura: They are questions. I mean, the first question was, you know, isn't 140 to 180 at some point going to become market and what do we do? How do we signal that in the regulatory process?

RON KOUCHI: But that would not be problematic having gone through the post Iniki housing market. If it drops to that, then if a developer were to come

forward, everything that they would sell would meet the affordable guidelines. So it actually becomes easier for them to meet the standards that are placed in the ordinance because all prices are within the prices that the ordinance describes and there would be no such thing as a difference between an affordable bracketed unit versus a market unit and what was probably a mistake on our part not envisioning the current market. But the market dropped so low that we declined on several buyback opportunities and upon reflection, I would advise future Councils forward whenever the buyback opportunity presents itself, we need to exercise the buyback, you need to hold the unit in inventory, but, you know, the market and affordability was all at the same place and we ended up not doing it and then we have done that low, low interest down payment program. But we have not explored financing the whole amount, but when we talked to the bond people in Los Angeles, GO bonds are at 4 ½%. If they are lower than what conventional mortgage, 30 year fixed is, then there is an opportunity to even float a bond, but that would be kind of a policy decision from the Council if we wanted to make investment. I don't know if legally we can get in the mortgage business... what regulations there (inaudible).

Ms. Yukimura: Maybe is the issue is, you know, it is easy to address when the market is already providing it. What are we doing when we make them provide that when the market is not providing it? Well, for me, why are we giving such an advantage to the higher income levels, you know... when we are not giving that an advantage to the others. All we owe people in my way of thinking is a place to live where they don't have to pay more than one-third of their household income.

Mr. Rainforth: And that is what the ordinance tries to do. It is based on median incomes and precise formula.

Ms. Yukimura: If you give them the ability to sell, then you are giving them ability to make a huge windfall out of a County exercise police power which required that housing to be made available to them and they are leveraging that into a personal benefit that is not... the other people in our housing, beneficiaries of our housing policy are not entitled to.

Mr. Rainforth: But then they were able to pay the price without a subsidy where others were not able to pay the price without a subsidy.

Ms. Yukimura: If the market is not providing it, it will be at a subsidy. It will be at the private subsidy which maybe should be applied to the lower ends. Anyway, that is the discussion.

Ms. Zachary: I am going to move onto the next question because I think you've made a, you know, a point that Ken can think about when he is suggesting some amendments. Councilmember Bynum?

TIM BYNUM: Ken, I think in answer to what JoAnn was saying is, it is somewhat self regulating. You said to breakeven... if I understand it correctly, the breakeven point right now for developers is at 140%, so if the market comes down and the units are more available, then that would move down as well, right? The breakeven point would move down, so it would be easier for a developer to meet these requirements if the market cost come down.

Mr. Rainforth: Yes and no. The prices may stay similar, but incomes may increase, so the people have an easier time qualifying.

Mr. Bynum: And then I understand what the Chair is saying about leasehold being a bitter pill to swallow because it kind of goes against the American dream of homeownership. You know, I think that is a reflection. I think it was the housing group that did a presentation a couple of years ago. They had this graph that showed income on one level and affordable housing at another level and for years, there has always been a gap. But the gap was \$30,000, \$50,000 and people could work two (2) jobs, or maybe go into mortgage too deep or get help from families and, you know, somehow get that gap and find a way for homeownership. But the incredible run up in values that made that gap huge, so it kind of went up like this, but then incomes then continued to go up at this level, but housing cost went up huge. So I have a 19 year old son and I have been talking to him about his dream of a homeownership and saying, you know, things are changing because of our reality of living on an island and having very high land values and not having a desert to move out to. You know, you can't drive 100 miles further down the freeway and find cheaper land like you can on the mainland. So in the future, you may be able to... leasehold is, you are an owner, right? You own the building. It is yours, you can live in it, you can die in it, you can pass it onto your family if we structure it correctly. But if you sell it, you can't take out the windfall in essence or the big leasehold. So it is different than our dream of, you know, getting a home, realizing the appreciation, moving up, but things have changed dramatically in our economic realities. So I am telling him, hey, we want to keep that pride of ownership that this is my home, I can improve it. If it is a single family residence, I can add a bedroom on and I am going to invest in that and I can get that investment back out if I sell, is that correct?

Mr. Rainforth: That is correct and we know we need to have a significant education program to help our residents understand that there are advantages to leasehold that not necessarily something to shy away from. If you have the ability with the support of your parents to buy fee simple, fine, do it, but if you don't, leasehold is much better than being a renter.

Mr. Bynum: Right, and being a renter...

Ms. Yukimura: Or living in Las Vegas.

Mr. Rainforth: Yes.

Mr. Bynum: Or, yes, please don't leave (change side of tape)... further out from the city center where there is cheaper land, but we don't have that option in Hawai'i. There is no place to drive to that has this affordability any longer, so I understand what the intent of this is and I support the intent. I think that was in the details and finding that in a way and getting to the question (inaudible)... potential developers in what is workable in their view (inaudible).

Ms. Zachary: Thank you very much. Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: I just wanted to point out that the triggering factors regarding resort, residential and resort, commercial, industrial are key. It doesn't necessarily preclude the development of houses below the 80%. Those can be addressed by DHHL, Habitat for Humanity, or Puhi Self-Help, so there are a variety of mechanisms that are in place to address those income levels. So it is not like we are not providing any homes for those and that we are only providing leasehold estates. I also wanted to say that as far as the leasehold, it is just another avenue of providing homeownership. I think that concept is important unless you are going to end up with people that rent all their lives and you are going to end up people who lease. So just for clarification, I mean, this affordable housing policy does not address every type of group because there are other areas in place. I also wanted to point out that the purpose of this meeting was not to get into philosophical reasons about whether we should have leasehold or have fee simple or any of that. That will come at a Council meeting or at a Committee Meeting, but not at the workshop today. There are going to be strict guidelines that should be imposed. The purpose of Ken's presentation today was really for the developers to get an outline on what was in Article 2 and Article 3. There are rules that are set up there. We need to handle these things as quickly as possible, so I would really want to reiterate that factor that we want to get as much information from the community out there and utilize that for our information as opposed to trying to go through with Ken about, you know, again, philosophically what we think should be in the affordable housing policy or not. So thank you and then we will move on with the rest of the meeting.

Ms. Zachary: Thanks very much Ken. Are there any audience members who wish to speak who haven't completed one of these forms?

Ms. Iseri-Carvalho: If not, we will move onto the formal part of the workshop as indicated by Ms. Zachary. Basically, if you could follow this outline, we would much appreciate it. If you would give us a comment on your concerns on Article 2 and 3 only which is the subject of the agenda item. Indicate next, the areas that you support. If there is something that you disagree with, offer solution

or other alternatives and take as much time as you need. The questions that will be addressed by the Councilmembers will deal specifically with only those issues because this is a limited agenda topic. The first person who I have on the speaker registration form is Neil Tagawa. I would also like to recognize at this time that we have a recorder, Jo Ann Shimamoto who will be taking notes on any testimony that is provided. Thank you and then I will turn that back over to you Diane. We will just go to the next one. Tracy Nagata?

Ms. Zachary: Tracy, as you are coming forward, I just wanted to mention that as Jo is recording your comments, if you see something that is recorded inaccurately, please let her know because we want to make sure that we are capturing what you mean to say. Sometimes, you know, between what you say and what gets heard is a little different.

TRACY NAGATA, D.R. HORTON SCHULER HOMES: Hi Council. I appreciate the time today... Do I need to state my name? Tracy Nagata with D.R. Horton Schuler Homes. Again, I appreciate this workshop. In listening to this morning's discussions, I think that it is very encouraging to hear open dialogue between all parties involved whether it is the County, the private sector, non-profits hopefully are here today represented and I think that is really important in how we shape something that is going to hopefully be a win/win situation for everyone. With that said, you know, I recently participated... or attended a housing Hawai'i... a (inaudible) conference called Housing Hawai'i last week in Honolulu. In listening to a lot of the speakers there talk about... you know, basically, a consensus that we are in a situation where workforce affordable housing is needed everywhere and that how do we go about addressing this. The big thing that I took away from that was that it needs to be a partnership with everybody involved. It has come to a point where that seems to be at least the way that we are going to tackle the problem and hopefully address some of the issues. The partnerships is between the counties, the government, State and County, Federal, private developers, non-profits, community organizations and hopefully those kinds of discussions will help our discussions here. It is encouraging at least on what Ken was talking about to start opening up this dialogue. As I mentioned in my testimony, some of the concerns that we have with Article 2, in specific, is the leasehold... one of them is the leasehold sales for the 80 to 120 levels and how that actually, just financially works in a development model.

You know, it is hard for me to sit here and point at specific things in the policy and say, it does or does not work. I think generally, the way the policy is written, it is going to be very difficult for a developer and I am just speaking for myself and for D.R. Horton to make a good majority of our projects work. I say that because each project that we work on is very different. You have very different topography, you have very different infrastructure requirements and as Ken puts it, one shoe does not fit all. I would have to say that one policy is going to be very

difficult to fit all as well. So one of the suggestions that I would like to explore is how do we create a policy or a guideline that we can all make work for the benefit of the people, the homeowners and homebuyers and, yet, be flexible enough, so that we can look at each individual project. D.R. Horton could look at each individual project and say, okay, how can we take this opportunity as I think Councilmember Furfaro had mentioned a meeting or two (2) ago. Use it as an opportunity to make affordable housing work. So I do have a... I would like to explore the leasehold option and how that is going to work in a development. As Ken mentioned, it is unclear right now the way that the policy is written as I mentioned in my testimony whether... how the land gets transferred from the developer to the County to be held in leasehold perpetuity by the County and how does that work sales wise and mortgage lending wise.

I guess that leads me back to my comment on flexibility. If we could explore Article 2 which allows alternative... that kind of outlines different alternatives and if we could explore that a little more, so that there is a level of flexibility that we can all react to each individual projects or development situation whether it is infrastructure requirements, topography and we can also react to the market because the market is going to change. I think Councilmember Yukimura and Bynum pointed that out that at some point, the 140% AMI might be market rate and how do we make adjustments within the policy to react to that, so that we are still providing what the market needs. So some of the alternatives that, you know, throughout discussions within our company is maybe possibly taking the 10% land development... excuse me, land dedication and I think for the residential portion, residential developments, the 10% land dedication... if it is provided... is meant to be provided on site I think to integrate the housing. If it is provided off site in section 3, Article 3, there is a reduction in the AMI sales price. So if it is to be sold at 100%, it goes down to 80. That might be in a certain market situation deemed a little bit of a penalty for residential developers because it is not incentivising us to at least be creative on how we might be able to make a policy work for a development. I am just throwing these ideas out and I am not saying that they are going to work for every situation, but if there is a way that, you know, a land dedication, if that is going to be what the requirement is, be provided off site. If possibly... I haven't run any numbers on any of our projects, but if it is greater... if a developer chooses to dedicate greater than 10% because an off site property allows that and the infrastructure requirements to that property is more susceptible to a financial model that that could possibly be in lieu of some of the other requirements. You need the 15% of leasehold requirement that is currently on the proposed bill or the other 15% and the 80 to 140. Just some flexibility on trying to make a development work. Do you have a...

Ms. Zachary: Just a moment. So just to be sure that we've captured up here what you said. There is one place here where you have responsive to market changes. I think what she said was it needs to be responsive. That it doesn't feel

responsive sufficiently at the present time and there was an additional comment at the very beginning that was more general, but I think should be captured up there that there is a real need for this to be seen as a partnership of the developers, government, non-profits, etc. Tracy, maybe you can make sure that the, you know, the other things that are up there... if you can see them, sufficiently capture what you meant to say because you made a number of points that are, you know, really are worthy of being there. Any questions from Councilmembers for Tracy? Councilmember Yukimura?

Ms. Yukimura: I was raising my hand, so I guess, I just first want to make sure that you are finished.

Ms. Nagata: Sure.

Ms. Yukimura: Is that pretty much your thoughts? Did we capture them?

Ms. Nagata: Yes.

Ms. Yukimura: I really appreciate the input and I want to know what... I guess I am not clear yet about what is not workable? The leasehold thing to me is fairly simple in terms of the land goes to the County, the house goes to the buyer, so I don't see any... it may be because I just don't do this work. I don't have to do all the details, but, you know, I have a hard time yet understanding how that is a problem.

Ms. Nagata: Uh huh.

Ms. Yukimura: And, you know, 15% of the total development being offered in a 80 to 120% of median income. That is substantial subsidy probably maybe to the level of \$250,000 a unit, okay. So that is, you know, substantial. Is that unworkable or is it the addition of the 10% land with infrastructure on site that makes the whole deal unworkable? Or is it just that... I mean, you know, should we reduce the 15% to 10% and does that make it workable? What is hard about the 10% land with infrastructure. I mean, that is a considerable contribution too. To me, that is a way to share the difficulty of providing the lowest bracket of housing because what I see is the developer provides the land with the infrastructure, the County or the non-profit does the on site infrastructure and the buildings, so there is like a sharing there, but I don't know the proformas that you have to work with. Can I...

Ms. Nagata: Sure, and that is a good question. Again, you know, every project is different, but in generally speaking, if we look at the policy the way that it is written now, it is a 10% land donation, it is a 15% leasehold sales and then another 15% of affordable or gap sales, fee sales.

Ms. Yukimura: Yes.

Ms. Nagata: So that is a total of 40% of your project is going to be addressed... need to address the policy somehow. Of the 40%, it is questionable whether the 10 plus the 15 leasehold...the 10% land donation was a 15% leasehold equals to 25% land donation because it is not clear how the land is going to be transferred to the County. If it be dedicated to the County, then we are talking about 25% land donation with infrastructure.

Ms. Yukimura: Except that with the 14 units per acre density, the land requirements are not... they are not equivalent. I mean, the 10% land donation is not equivalent to the 15% land donation because you are probably talking single family houses at the most R-6, right?

Ms. Nagata: In the 10% land donation.

Ms. Yukimura: You are going to get six (6) units per acre, whereas, with the lowest... the 10% for the 80% of median income at 14 per acre, that is a smaller land donation.

Ms. Nagata: The 10% land donation at 14 units maximum density per acre is a smaller area that you are talking about.

Ms. Yukimura: Right.

Ms. Nagata: Well, I suppose it would be a function of the zoning of the land that we are... each project is looking at. If it is a... say you have, for example, a large R-20 parcel of land which is 20 units per acre density, the 10% land donation at a maximum of 14 units per acre and equal to 10% of the units would be in addition to... it will be a greater than 10% (inaudible).

Ms. Yukimura: So you are talking... if it is R-20, we are talking about a multi-family development.

Ms. Nagata: Correct.

Ms. Yukimura: And I would guess that if it is R-20, you can satisfy how many... you would be getting 20 units per acre, so we would... I mean, the 14 units per acre doesn't apply in my mind. We would go with the most dense.

Ms. Nagata: I would think because you would be getting more units.

Ms. Yukimura: That is right.

Ms. Nagata: Right now, there is a maximum... the way that it is written, there is a max... I think it is a maximum 14 units per acre.

Ms. Yukimura: So what you are pointing out is, I mean, the 14 units per acre was an assumption that we were dealing with a single family house development. Okay, Ken is shaking his head. Can we have Ken join in the discussion? Maybe he can take...

Ms. Zachary: Just clarify this one point.

Mr. Rainforth: The 14 units per acre is intended or looked at as the maximum density, multi-family density that the County would probably build. If you are constraining yourself to two (2) story buildings. In order to achieve a 20 unit break or density, you need to go three (3) stories and to go three (3) stories, you increase the cost of your building substantially by having a higher fire structure, sprinklers and elevators which were not... don't think we are ready to proceed to three (3) story buildings. In most of the communities that we have been going to, it wouldn't be appropriate, so that is why we used 14 units per acre which is the density at Pa'anau Village and Kalepa Village.

Ms. Yukimura: Okay, that is really important information and I am trying to think how the smart growth information that we got at the conference fits in here and whether you can, in fact, do three (3) story developments that are built in such a way and that can fit into a larger development even though there is some single family. But, besides that, it basically... what I hear Ken saying is that the 14 units per acre is a... there is more rationale to it than just trying to increase the density, so that you have... the private developer donates less land.

Ms. Nagata: Sure, I understand and Ken is right. Building construction type really makes a difference in construction cost and when you get to three (3) story buildings, it does cost more. Maybe there is a... if... a chance to explore the 14 unit maximum by increasing it with different... I guess it is zoning variances. Right now, we have... we are in the process of planning a project in Hanamā'ulu that has an R-20 property on it that, right now, as it is planned, we have two (2) story town house type of... and (inaudible) type of units at an above 14 units per acre. I think it was like 18 or 19 unit per acre, but in order to do that, we are asking the Planning Department for a lot coverage variance, so that we can keep the buildings to two (2) stories. Because, obviously, a two (2) story building versus a three (3) is a larger footprint. It is a larger area...

Ms. Yukimura: And that will allow you to... your construction cost to be cheaper than a three (3) story building.

Ms. Nagata: Sure.

Ms. Zachary: And for the purpose of our recording, if you could say something about flexibility with design guidelines and...

Ms. Nagata: Zoning guidelines.

Ms. Zachary: Related to lot coverage or something, for example.

Ms. Nagata: Or exploring the... just the hard and fast, I guess, rule as it stands at 14 units max. I mean because if there is a possibility that a developer could come in and develop at a higher density, you know, given zoning variances can be approved, then I think it might be a win/win for everyone.

Ms. Zachary: Can we see if another Councilmember has a question?

Ms. Yukimura: Okay, I just wanted to come back because I haven't finished getting the answer to my question, but I will defer and come back.

Ms. Zachary: Go ahead then.

Ms. Yukimura: Okay, so I am still trying to... is it basically financially difficult... if we eliminate the 140 to 180% from the requirement and just focus as we have traditionally the 120% and below. So we keep the 10% land donation and the 15% provision of 80 to 100%, does that make it any easier? Or is that not really the problem?

Ms. Nagata: Oh, that is a good question. You know, if you had to look at a development in today's market as Ken mentioned... building at 140% median income is basically a breakeven point for developers. This is what we are doing at Hookena right now.

Ms. Yukimura: And that is true for you that 140% is about right?

Ms. Nagata: Yes. The market is driving up construction prices and we are finding that it is just really tough.

Ms. Yukimura: The market is driving up the construction?

Ms. Nagata: Well, the industry. The market...

Ms. Yukimura: The materials cost and oil cost are driving up the cost of construction.

Ms. Nagata: Okay, so if you were to say we didn't... if you take out the one... I think you say 140 to 180, will that help a situation? It possibly would. Again, every situation is different. We would still need to explore, I think, the 15% leasehold requirement and how that really works, again, when transferring the land to the County. Is the County going to subsidize or purchase part of that lease or is the developer going to be required to dedicate that land and all of its infrastructure over.

Ms. Yukimura: Can we ask that question of Ken? Ken, if we do the leasehold situation for that 15% of 80 to 120, we weren't going to pay for the leasehold, right?

Mr. Rainforth: The... to me, it is an issue and that the County should pay for it because, otherwise, Tracy is correct, in that we are asking for a donation more than the 10% raw land. We are also asking for donation of improved house sites.

Ms. Yukimura: And that is what we've asked for at across from Kong Lung and a lot places. That whole thing has been donated, in this case, to the buyer rather than to the buyer and the County. I mean, that is standard practice. That has been standard practice, right?

Mr. Rainforth: I don't follow. I am missing something.

Ms. Yukimura: You know that development across from Kong Lung?

Mr. Rainforth: Kilauea Estates, 49 units.

Ms. Yukimura: Right, we didn't pay the developer for the leasehold. I mean, there is no leasehold. Excuse me, we didn't pay the developer for the land. The land...

Mr. Rainforth: Actually we did. We didn't reimburse the developer for all the cost that he claimed that he was able to write off on their taxes. We paid for the land the same price that they paid for the land. I think it was a million dollars.

Ms. Yukimura: But the homeowner... okay, so the homeowner paid for the land. Yes, the land was \$800,000.

Mr. Rainforth: And all the improvements to the land just like a regular real estate development.

Ms. Yukimura: Okay, so then we subsidized the homebuyer. The homebuyer got it for much less than what we had to pay for it.

Mr. Rainforth: The homebuyer got it for the same... for the cost to the whole project. All the cost put together equaled the sales price.

Ms. Yukimura: And what was the land component of that?

Mr. Rainforth: A million dollars.

Ms. Yukimura: And what did the homebuyer pay for it, for the land?

Mr. Rainforth: 49 of them paid a total of a million dollars.

Ms. Yukimura: I am not asking my questions right.

Ms. Zachary: Can we get back to the housing policy versus that particular development?

Ms. Yukimura: No, but that is related to the hous... I am trying to understand, did we...

Mr. Rainforth: We never asked the developer to give land away. The County has done it itself. The 13 units at Komohana, the County got that donated from Grove Farm. We had a project built there. I suggested to the County Council that the buyer should pay \$5,000 to \$10,000 for that raw land. The County Council decided, no, we don't want to, we will give it away. So in that case, the County gave away the raw land value.

Ms. Yukimura: Alright, thank you. I am sorry Tracy. So we are coming back to... you are saying that it wasn't clear in the provision whether we would pay for the leasehold of the land and if we did, it would make a difference in terms of the workability of the ordinance.

Ms. Nagata: Sure, and depending on how that is structured and I would imagine that it would be difficult to come up with a hard and fast way to go about that and that would have to be something negotiated with the County. But the idea of that dialogue, I think is good to have.

Ms. Yukimura: Yes.

Ms. Zachary: Any other Councilmembers? Councilmember Bynum?

Mr. Bynum: I want to understand this leasehold issue better. Ken in his testimony gave an example of say, a three (3) bedroom house at 120% is around \$300,000 under this policy? So the concern was that the buyer still has to get a mortgage and the bank may finance the entire mortgage because they are not

financing the land to the buyer, just the building, right? So there would be a gap, so we are suggesting that the County (inaudible)... they will have to invest in the land, so maybe that would be in your example, \$75,000. So in that case, but that doesn't really address your concern, right? Because bottom line for you is that you have to provide it or does it... if the County is kicking in \$75,000 of that \$300,000...

Ms. Nagata: To make up the difference?

Mr. Bynum: To make up the difference.

Ms. Nagata: Then we are talking about... if the County in this situation... if the County makes up the difference of what you could sell... say 80% affordable house... fee simple affordable house and at 80% leasehold affordable home, then it would become, I believe, an 80% requirement for the developer if I am not mistaken and not a 80% requirement. Because, right now, there is a question on whether the 80% requirement is an addition to a land donation to the County to be leasehold land, is that correct?

Ms. Zachary: I think what I heard Ken say is that there is a 10% requirement, but for the leasehold lands, the County would purchase that land. So that is not an additional amount of land that the developer is having to give. Is that correct?

Ms. Nagata: And that would certainly help the situation and be more workable for a developer.

Mr. Bynum: So in that instance, can the homeowners can have a mortgage for... even though the price was close to 300, they are going to have a mortgage for 225 to pay, not a mortgage of... so that is... Does the County pay the 75?

Mr. Kouchi: From where, so how do you... you are probably going to float a bond, so you can have a payment requirement to pay that down, so you can take out terms, you can reduce interest rate, but you have to have cash flow to be able to take down the debt because we don't have cash flow reserves available to pay for this. (Inaudible).

Ms. Nagata: And that would be in line with the partnership that needs to, I guess, develop between counties and developers and non-profits to make this workable.

Ms. Zachary: Any other Councilmembers? Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: Yes, Tracy, just to follow that format. Is there, in Article 2 and 3, areas that you do support?

Ms. Nagata: Well, you know... we generally support that there need to be some kind of policy, some kind of guideline in place. I support, you know, a percentage that needs to be fulfilled. What that percentage is, I can't really point out to right now because I don't think that there is a silver bullet answer to the problem that we are all trying to address. There is varying circumstances in each development and that makes it difficult to have one policy that is going to address all of our development and all of the needs of the County. So...

Ms. Iseri-Carvalho: And then, I guess, Tracy, you know, I don't know if you had participated in the policy discussions on the Big Island or the ones on Maui and I guess having come from those, you know, they have actually implemented their policies. I think Big Island one is older than Maui one that was recently passed and I know that there will be some revisions. But, really, having the hindsight of having participated in those discussions at other counties and in comparison to what we have and I don't know if you were here when Ken had done the comparison between what was in their policy and what... you know, I think what we are trying to build some sort of partnership, but it is difficult to build a partnership if we don't get really specific kinds of responses. If it is going to be generic in a sense that it is going to say, well, we agree with a percentage or... I think, bottom line, we kind of need to know what will work and what will not work as the Council Chair had articulated earlier because we do all want to have something that will work. Now, we may not get everything that we want and you may not get everything that you want...

Ms. Nagata: Sure.

Ms. Iseri-Carvalho: But something that is livable is what we are looking at. So do you intend, at some point, to actually run some numbers to actually come up with specific kinds of provisions that could address your concerns as well as the Council's, I guess, policies that they had articulated earlier?

Ms. Nagata: Sure, and that is a fair question. And, you know, if I could... we would like to add that based on our leasehold discussion that we just had, if there was a solution or a scenario that Ken had put forth where there is some kind of agreement between the County and the developer to purchase leasehold land to meet the 15%, then I think that is workable. I think a policy in the range of 20 to 30% overall is workable. Again, I like Article 3. I like the fact you are considering alternatives. Some of the alternatives are... I think, I would... has potential to be explored to be workable like, again, the residential off site and I think that is a good alternative. You know, if we can explore whether that can be increased if... to greater than 10% depending on what kind of properties are available to the

developer such that that could meet some of the other requirements. You know, just some flexibility in the equation to allow each individual project to be looked at specifically on how best to make it work for everybody if that makes any sense.

Ms. Iseri-Carvalho: I think one of the concerns that we had was that there was really too much flexibility without a policy in place because everyone... I mean for people who are sitting here in the gallery, everybody can say that their conditions were different than anybody else. I don't think there has been one that has really been similar to each other and that was one of the concerns that were actually raised by the developmental community was that, you know, it seemed so unfair (inaudible)... that this person has a 99 year buyback, this one has five (5) or 10... there was such wide variances between what the conditions were imposed on the development that, really, I think, the policy was sought to try to provide clarity, try to provide consistency and try to be comprehensive. So, I think, probably, you know, a more productive way would be to try and run some numbers and come up with some sort of percentages that would work. I think it is the hope that we will have something passed within four (4) months. I don't expect that this bill will go on for a year or so. I am hoping that... because this has been the demand, not only on the community, but of the developers as well.

Ms. Nagata: Sure.

Ms. Iseri-Carvalho: So if you could come up with numbers as quick as possible, then those can be ones that we could probably implement and have further discussion, but, I guess for me, I would like to see more specificity in the type of percentages that would be workable, whether it be leasehold, whether it not be leasehold, whether it should be an 80 to 120 or whether... if this policy should even address 180%. Maybe that shouldn't even be considered, but justifications on whether it should or shouldn't be.

Ms. Nagata: Okay, fair enough.

Ms. Iseri-Carvalho: I think would be very helpful.

Ms. Zachary: Any other Councilmembers besides Councilmember Yukimura? Then...

Ms. Yukimura: What if... I mean, I think you noted that it seems somewhat... the offsite alternative seem somewhat punitive and I think it is so because we want to keep the housing on site. What if, instead of an off site alternative, we made the on site alternative more palatable by giving you an increase in density in the market units.

Ms. Nagata: Sure. Density increases or density bonuses is a great alternative. At least it gives some flexibility again.

Ms. Yukimura: Yes, and, I mean, the concept could be given with... I mean, we could have the basic concept like density bonus or even zoning design flexibility and then on a case by case basis see how those things could work.

Ms. Nagata: Uh huh.

Ms. Yukimura: And I presume that would be something that housing would work out with the developer and the Planning Department. I mean, I am not sure I want to see it come... every project come before the Council, but we can also discuss that at what level it gets decided. But I know that in Davis, California, I believe that is one of the tools to help make a project workable.

Ms. Nagata: And a benefit for all.

Ms. Yukimura: And it is a smart growth concept because it keeps everything still in a basic development site.

Ms. Nagata: Sure.

Ms. Yukimura: And it doesn't require any extra money from the County. You know, so it has those advantages.

Chair Asing: Councilmember Yukimura, I'd like to comment on that if I may. Tracy, are you saying then that if you are agree to that, then you would not need to look at off site? Because, you know, my comment is, I think it is something good for you to look at, the alternative, but would you want to give up the off site possibilities? That is the question.

Ms. Nagata: I see. So you are saying that if we have some kind of tool where density bonuses or zoning requirements can be amended or variance, would in a residential development, that be in lieu of the off site alternative.

Chair Asing: Yes, in other words, you would not look at off site, but you would stay strictly within the property.

Ms. Yukimura: That was my intention.

Chair Asing: That was the intention of Councilmember Yukimura, but the question that I am asking you if you do that, then you are going to give up the off site alternative.

Ms. Yukimura: Presumably, you are going to need it because you could make your cost and benefits work.

Ms. Nagata: Sure.

Ms. Yukimura: I mean, I think you could still have the off site as an alternative in the law, but...

Ms. Nagata: There is some flexibility to make it work within our site.

Ms. Yukimura: I think all of us would prefer keeping it on site and that is why the density bonus would allow it to stay on site.

Ms. Nagata: Sure.

Ms. Yukimura: It would be like another tool.

Ms. Nagata: Sure.

Chair Asing: I guess you might feel that way and I feel the opposite and the reason I feel the opposite is the fact that if you provide off site, you may be providing more possibly, am I correct?

Ms. Nagata: More land.

Chair Asing: More land.

Ms. Nagata: If it is off site.

Chair Asing: Yes.

Ms. Nagata: Well, when I had mentioned the possibility of providing more, that was in the context of an alternative as a tool, but I do agree that for at least for our developments, we would like to keep it on site. That is one project we are doing... that we are going to need to infrastructure, that we are going to need to develop and we can cohesively do it with good planning and good product. I threw out the off site as actually a reaction to the alternative that as it is written to either expand on it as a possibility and not necessarily use it as our first alternative to fulfill the requirement, if that makes sense.

Ms. Zachary: So, Jo, in your recording, if you could say that is the thing about considering the density increase or bonuses is an option in lieu of off site housing.

Ms. Yukimura: It would be a way to keep the 10% on site.

Ms. Nagata: The way to incentify everyone to keep it on site.

Ms. Yukimura: And I think there is an inherent incentive or an inherent attractiveness of the on site density bonus idea rather than off site because off site pretty much presumes it will be a stand alone, very low income project. Because if you start putting market, you are going to be hit with other requirements.

Ms. Nagata: I understand.

Ms. Yukimura: And stand alones are extremely expensive.

Chair Asing: I don't think that is necessarily true because you could have... move it into an area that is not as expensive, so that is a possibility. You may have another area that is less expensive.

Ms. Yukimura: I think the Chair is right that the land would be more expensive, but the infrastructure to get there might be really...

Ms. Zachary: We have a question from Councilmember Kouchi.

Mr. Kouchi: I just think, you know, obviously, an inherent problem in any legislation that is trying to cover so much, you always have situations that wouldn't necessarily fall in. But I think even in just listening to the Chair taking Grove Farm, they have extensive holdings throughout the Puhi to Hanamā'ulu area and they may be developing something in the Hanamā'ulu area, but if we could discuss an off site area located closer to Kuku'i Grove where more of the jobs are. To me, to put more housing on site by housing, but not where they are working, isn't necessarily what my concept of trying to keep it on site would have been. If I can get people closer to where they are working and less travel time on the highway or even possibly walking or riding a bike to work, that would be advantageous, so I just see that you do need to have some flexibility. I do like what JoAnn is talking about, though, my concern about the whole policy and not just any section is it is punitive in nature. I think you would agree that the current policy as loosely as it is written and how it has been implemented case by case is better than what is written in this document today.

Ms. Nagata: I don't have enough knowledge on how the current policy has been implemented in the past, so I can't really comment on that directly.

Mr. Kouchi: Well it started at \$25,000 per unit and now we are talking 65. We had 10, 15% inclusionary and now we have 40% plus to the inclusionary. We have formulas and everything else, so it seems to have... because the (inaudible)

was so far perhaps toward the developer's advantage, now, you know, it is swamped probably too far the other way. I just... whether it is density bonuses or whatever, my simple question would have been, you know, are there other mechanisms besides that, that you would see as incentives and should not the policy be written in such a way that, you know, we feel that we are in a partnership trying to create housing and there is a desirable from the County and the private sector's part to make some of the housing happen. And whether there is density bonuses, some form of permit expediting or whatever it is, so that you are able to get to the market and turn these units around faster or whatever else that you see as road blocks to have made things happen. One of the things that we have been arguing about at the Water Board is, if you are building affordable, you get water allocations or things of that nature. Perhaps it is water for the overall master project if you are meeting all of the conditions that are there. You know, to me, that is what I am looking at because exactly what the Chair said, why adopt a policy that would result in no housing.

Ms. Nagata: Great points and infrastructure is one of the key components of a development and what infrastructure requirements are involved. You know, again, I am here because I am interested to hear what other developers have to say as well because every developer does things differently. As you mentioned, Grove Farm has a larger land holding than D.R. Horton does and they may have a different approach to the policy and different thoughts on it. Hopefully, we will hear more from others, different view points at least.

Ms. Zachary: Councilmember Bynum?

Mr. Bynum: So in this discussion, I heard two (2) things that perhaps make it more palatable. One is the idea of density bonuses and the other one was lot coverage on the 10%. If you can get more than 14 units by changing (change tape)... we are hoping to hear from you more specifics like, you know...

Ms. Nagata: Sure.

Mr. Bynum: If you change this to 3%, you know, and you change this to... then it is a bill that we can work with. The last thought was that you use the word guideline as opposed to policy and, you know, if this bill was like, here is the guideline and you meet this and you are good to go, right? But if you want a variance from this, you have to give a rationale why it has to get approval say, from the Council.

Ms. Nagata: Sure.

Mr. Bynum: Because of our unique circumstances here, the topography is bad, we have to put more infrastructure cost in, so it is not reasonable for us to

make it work under this policy and there is some kind of way to make that appeal in negotiations with the Housing Department. Is that also what (inaudible).

Ms. Nagata: Sure. Another alternative in addition to density bonuses and I am just throwing an idea out is within the... I think there are six (6) categories of 5% ranges. You know, depending on where the market's need is, if, at the time of the market, if there is a more need in the lower ranges and if a developer provides a greater percentage in the lower ranges, is there a way to offset the upper ranges, so that it provides a win/win. The market is being met, homeowners are being able to purchase and a developer can make it work. So instead of being an overall 30%, you know, I am just throwing out numbers. If you provide 20% or... 20% more in the lower range, is it possible to alleviate the remaining 10% in the upper range so to speak.

Mr. Bynum: So that is a policy I hope we move towards inclusive neighborhoods to have a variety of income ranges that we don't continue to practice where this is where high income people live and here is where moderate income people live and here is where low income people live.

Ms. Nagata: Sure.

Mr. Bynum: We are one community and to have us all in proximity to another is a good thing from my perspective.

Ms. Nagata: Uh huh.

Ms. Zachary: Well, thank you so much Tracy. You've really been helpful I think in sharing some ideas and, again, if you could get more specific information back, that would be helpful to the Council as well.

Ms. Nagata: Sure, thank you.

Mr. Bynum: Thank you.

Ms. Zachary: Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: The next person that is up to speak is Officer Bill Kerbawy.

BILL KERBAWY: Good morning honorable Council people. Bill Kerbawy. I will be brief and to the point. I think in this particular item that have been discussed... I see (inaudible) that is worthwhile for us to consider and that is volunteerism. I think you can save cost and this can be helpful both to the people who are building and the people in this community. I think and the same concept is

I am putting forth in the auxiliary. I think by tapping into a love of labor and a labor of love, getting together the skilled craftsman of this community and asking them to help with these projects. You people in the Council saying, does anybody here want to donate money for the land for poor people. Does anybody here want to donate their skills to helping these builders build their houses or whatever. In a spirit of community, we can reach out to each other. I am not saying that it is going to work miracles, but it is in today's paper global village is backed by three (3) Canadians coming here to help us build habitat. I think on the island of Kaua'i, we have stilled craftsman who know how to do hammers and (inaudible) which I don't. I would have flunked it out easily. That is not my trade, but it is my trade to think and appreciate the love that is on this island and the moral impedes that I want you to consider. If we put our heads and our hearts together, we can lower cost, we can equalize everything and make it a little bit better by just opening it up to a little bit more communication here. What I hear here which is fantastic I heard so far. I hear a sharing and a blending of ideas. I hear wisdom, I am patience and I hear understanding and woven together we can create a fabric along with our skilled craftsman and people who may want to donate land if we reach out to them.

Ms. Zachary: Excuse me, I am sorry.

Mr. Kerbawy: That is it. I am done.

Ms. Zachary: Okay, thank you so much. Perfect timing.

Ms. Iseri-Carvalho: I believe the next speaker we have... Neil, you were waiting for your partner to show up. Is your presentation going to be longer than 20 minutes? And the reason is because we need to take a break in 20 minutes or we can take the break now and then have you start. We will take a 10 minute break and return back at 11:10 a.m.

There being no objections, the Committee recessed at 11:00 a.m.

The meeting was called back to order at 11:10 a.m., and proceeded as follows (the Chair started the meeting without the recorder on).

Ms. Zachary: I know you have a (inaudible-mike off).

NEIL TAGAWA, GROVE FARM: I think for the satisfaction, we are going over our presentation would go over through the quantities that need to be addressed.

Ms. Zachary: We will get you the percentages that are in there (inaudible).

Mr. Tagawa: If we go down to the next... going by region, we want to address and this would still be going off of the same survey. So we are going from the affordable housing from the 80% to 140%. You can see why we want to regionalize demand and it is not being satisfied in certain areas, but other areas, the 80% to 140% is being satisfied. The same goes for the low income, the below 80 on the next slide. All we are saying is that it needs to be more flexible to encompass the different differences between each region.

What we have determined would work for our development and is our Līhu'e/Hanamā'ulu masterplan area. The Līhu'e/Hanamā'ulu masterplan is developed more for the local residents. It is not a high end development and what we have determined, we haven't gone into depth of what the leaseholds and all those different factors would, but this would be workable for our development. This is 25%. 10% below 80% of the median, 5% for 80 to 100, 5% from 100 to 120 and another 5% from 120 to 140. It does (inaudible) from the 140 and above the gap (inaudible). This is (inaudible) in line with what the County policy has as far as having a priority list of having more opportunities for integration and priority for a homebuyer's education programs. With that in place if we are just looking at the Līhu'e/Hanamā'ulu area, what this would come out to be for the whole proposed housing for the 2,400 homes would equal up to about 614 in this affordable range.

Ms. Yukimura: What page are you on?

Mr. Kouchi: Someone didn't number the pages.

Ms. Tagawa: Yes, sorry.

MIKE TRESLER, GROVE FARM: Another thing that I would like to qualify is that when you look at the percentages in yellow and there is a bracket in red, that means... it really means demand is being met and that is (inaudible).

Ms. Yukimura: We don't even know what page you are referring to. Shall we all number our pages then we can at least. The cover doesn't count, this is your first page, it was actually your second page.

Mr. Tagawa: Yes.

Ms. Yukimura: So this will be 1 and everything...

Mr. Tagawa: I think basically the pages that we want to cover would be going through page 11, so if you number your pages through 11, I think...

Ms. Zachary: So you had mentioned the Līhu'e/Hanamā'ulu masterplan that is on page 9, is that where your... you've just referenced that you would be comfortable with the 25%?

Mr. Tagawa: Yes, that is what we have done on analysis on so far and that 25% would work for that proposed development area. So go to page...

Chair Asing: I have just a question on the statement that you just made in reference to that would work for the Hanamā'ulu project. I mean, that is not what I am looking for. I am not looking for the Hanamā'ulu project, I am looking for as a whole. Can you support the programs? But you mentioned the Hanamā'ulu project, but if you had other projects, would it be applicable. Is it okay?

Mr. Tagawa: I guess going back to my earlier points, I think there needs to be more flexibility and it would determine per region actually how everything would work out. For this area is more of an example of how this would particularly work. I think each project is different and I don't think having a real rigid policy would make it tough. To have certain guidelines and to kind of follow would make things work out better.

Chair Asing: It would be... you know, it would be very difficult for me to sit here and agree with the policy because you agree that it is workable for the Hanamā'ulu and then you come up next year with something else, some other project and we find, hey, it is not workable, we can't do this project with the guidelines that you have here. You know, so it worries me that you only taking this to a specific project and that is good in itself, but that is not enough.

Ms. Zachary: Perhaps what we could do... you said that you wanted to go through page 11. Are there additional comments that you wanted to make and then we can open it up for Councilmember comments and questions. Are there other points that you wanted to make?

Mr. Tagawa: The point that I would like to make would be on page 11 and in the page 11 going back to our Līhu'e/Hanamā'ulu area/development, that we would be satis... all of these was pointed out as the six (6) year demand would be more than satisfied. Now, (inaudible) looking for all the areas. I think from a developer's perspective, it would be difficult to say, what works here is for sure to be able work everywhere else. I think it would have to be taken more independent, but I think having guidelines in place would allow you to say, okay, does this generally work? Now in a specific instance, how do you then alter the policy or the guidelines for that particular development?

Ms. Zachary: So if I can (inaudible) to make sure that we've captured it up here on the chart, you are saying that there should be guidelines, not a policy,

that they should be flexible, that for the particular project which you investigated, the Hanamā'ulu project that a 25% requirement as you have broken it down would be workable; however, on a case by case basis, you think it needs to be determined.

Mr. Tagawa: Yes, I mean, the 25% works for the kind of housing that we are going to do. Now, if your housing mix is going to differ, if your markets are different, then I am not... I wouldn't say that would necessarily be true.

Ms. Zachary: Are there specific elements that you do support in the policy as it stands?

Mr. Tagawa: I guess we would agree more with what... the whole bottom portion of the ranges are fine. The gap housing and above seems to be something where I'd like to be left (inaudible) to market I guess. The land component, we haven't addressed at all as far as the land dedication and as far as, again, the leasehold portion, we did not evaluate that as a working (inaudible).

Ms. Zachary: So do you have a particular... you said that you didn't calculate that in your model, so does that mean that that is not an area that you would support at this time?

Mr. Tagawa: I guess we have just not considered it.

Ms. Zachary: Any other comments that you would like to make?

Mr. Tagawa: I guess somewhat the more (inaudible) with what Councilmember Kouchi was mentioning is that... is the current situation where, you know, to hard or fast policy in place, more workable... I guess that somewhat along the lines of what we were thinking.

Ms. Iseri-Carvalho: Say that again.

Mr. Tagawa: There is not a hard and fast policy right now in place, but it is taken on a more case by case basis. It allows some flexibility... in what he was kind of saying is that there is more flexibility to address individual needs right now. I think we want to be able to say, it really depends on the project.

Ms. Zachary: Thank you very much for your comments and now we will have an opportunity for the Councilmembers to ask questions. I mentioned earlier and I think a couple of you were out of the room that, please indulge me, I'll ask you to ask questions directly of the speakers rather than answer to each other. If it seems to be getting kind of far off field, please allow me to bring you back to what we are trying to do. So I don't mean to cut you off, but I just want to be cognizant of

our time. Any questions from Councilmembers for our Grove Farm speakers? Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: Thank you Neil and Mike. You guys did provide a very comprehensive presentation. I guess the question that I would have would be that you... is it your position that you preferred not to have an affordable housing policy at all?

Mr. Tagawa: I would say not necessarily. I think it needs to be addressed and we are definitely in favor of having something in place with maybe more... I guess the word guidelines would be better.

Ms. Iseri-Carvalho: And I think we had discussed that about the concern that each time a developer came up, they had different buybacks, different (inaudible) and not necessarily may have been that it worked for that development... it just depended upon... whether that developer would want to make, I don't know, \$100,000 versus \$50,000 or something like that, so it wasn't really across the board being consistently allocated the conditions. I know you talked about the upcoming projects in Hanamā'ulu and Līhu'e. Have you run these numbers for other areas that you have projects that are upcoming?

Mr. Tresler: We basically have this Līhu'e project and project in Hanamā'ulu and there are slides further in here that there is a lot of information on other areas and the needs as broken down by that one survey. Of course, our projects are going to focus on the lands that we own which is from Wailua... well, Hanamā'ulu to Po'ipū area, Kōloa.

Ms. Iseri-Carvalho: Okay and that is what I guess I just wanted it stated that you... the ownership of your properties are kind of limited in a particular region I guess you would say which is from Po'ipū until Hanamā'ulu?

Mr. Tresler: Yes.

Ms. Iseri-Carvalho: Is that what you said?

Mr. Tresler: Yes.

Ms. Iseri-Carvalho: So given the project types that you face... I mean because that may be the only information that you may have when you run your numbers in the areas that you own property. You are saying the percentages that you provided would apply?

Mr. Tresler: Yes, we are, I guess, proposing that and if it shows that you clearly exceed the demand as according to that survey in this area more than

satisfied the demand in the Līhu'e/Puhi/Hanamā'ulu area. So we basically are saying, our project is for local people, local residents. It largely satisfies the need for affordable housing in the next three (3) years and even six (6) years out. Again, according to that survey and that may be debatable, but it clearly shows that we are ready to produce 624 or 614 affordable units. However, what, you know, I know you want to hear it straight and clear is that with the current policy being proposed, that would really hinder that project. In fact, we are pretty sure it might make it impossible to do. All it would do or what it will do is force us to do more high end stuff to make up for, you know, the cost associated with the burden of building that 40%. I clearly have concerns about giving 10% land with infrastructure and with my background and experience have a big concern with that only because historically, I think throughout the world, developers do a better job more efficient at building these affordable homes than does a government agency. You know, there is no assurances with that. We have in here and we noted that, basically, there is no timelines on this. Is there assurances whether or not this lands would be conformed to the development plan in the area. But, anyway, those are just some concerns about that.

Ms. Iseri-Carvalho: And I think one of the points that you both bring up about on site development, I think the Councilmembers were concerned about what was happening in the past which I don't believe is happening right now. But in the past where you would have projects developed in Līhu'e and the affordable housing in Hanapēpē which added to all the traffic congestion and cost which made really those homes not really affordable because they would have to invest those moneys that had they been closer, now would be allocated to a transportation cost and the quality of time that you have to spend in traffic, etc. So I think that needs to be addressed. If the need is being fulfilled in Līhu'e, for example, if the demand is being met, then if it would be beneficial to build in other areas where the demand has not been met even though it is off site. Of course, that would result in a win/win situation for everyone, so I can see that there has to be at least in that respect some... as opposed to what Councilmember Kouchi said, you know, a penalty for building off site, but kind of providing... well, if you are providing a need in a region that has not been fulfilled, that might be another alternative in fulfilling those conditions.

Mr. Tresler: I can tell you from a developer's perspective that you wouldn't want to go outside of your lands because it is not your lands and there is all these unknown cost. However, like I always have been seeing, you know, anything is possible, but as Councilmember Kouchi pointed out, what we face is the unknowns and the cost of infrastructure. You know, if that, through the process that we have now could be agreed upon and there could be some kind of structure put in, whereby, okay, we need this housing, okay, well, we need to understand some of our cost and agree to timelines in as far as permitting and even someone managing the

cost of infrastructure and requirements. Again, I think developers, in general, could work better with that as your cost would be fixed and not unknown.

Ms. Zachary: And some of the later articles do touch on some of those issues that you just mentioned. Council Chair Asing?

Chair Asing: I want to have some discussion Mike with you regarding your feel on the land portion. Evidently, you just totally disagree with it, am I correct? Donation of land?

Mr. Tresler: Yes, I do.

Chair Asing: Then, you know, I think we need some discussion because it is a... it is in the policy now and if you totally disagree with it, can we have more information on reasons for your disagreement seems to be to a very high degree. You totally don't want it and that is my impression that I get and if I am wrong, correct me.

Mr. Tresler: Again, and I will explain to you why, but hearing the earlier discussion that, again, anything is possible if it is flexible and there are things that the developer can work with, I think anything is workable as long as we can work in partnership. But where I am coming from and my experience is that in the past seven (7) years, I don't think the County has developed any housing. In fact, when I was there, we were supposed to build 80 units. We built 40 units, we got a bunch of land from the State... we can't move on it, so my point being just leave the development of these affordable housing to the people... to the experts basically. You know, because they... it has always been my position and it ain't anything different because they are more efficient at it... at building these homes and addressing the market needs and the needs of the housing needs. You know, there is no guidelines as far as the land is concerned. We have some comments in there like is there a timeline on that? You know, I mean, because we can all sit here and say, well, okay, you give land here, but what is to assure that that is going to be used for affordable housing. We may not all be around and then they get sold to another developer to do something and then may not comply with the development plans. So there is just questions or concerns with that and my point of view has always been that if you really want to satisfy the housing demand, there is a solution to work with in partnership with developers. Again, but it would require working out all through the details of what the water requirements, the infrastructure is, you know, and we go in circles, but it is really simple. There is a simple solution to it, but, however, it gets complicated because you have to align all these agreements and understand what the infrastructure needs and keeping cost down, so a developer could then afford to build that and not drive market prices so high that local people can't afford to buy the lots or housing. So, you know, just

historically don't have or have not witnessed the County being able to be a developer and if you develop effectively these affordable housing.

Chair Asing: Thank you Mike. I think it is real important that at least we get the feel from the development community on what their feel is and their rationale behind it. I can see that especially the timeline issue... timeline issue meaning that we donate the land to you. We do all our development and that is done and I am not sure when you are going to do yours, how you are going to do yours, what is it going to look like in this particular development. So those are the kinds of concerns that you have and it is important for me to know that and understand why you feel the way you do, so thank you.

Ms. Zachary: I did want to just point out on page 5 that it does say that in terms of who develops, it could be the developer who actually develops that 10% land or the County or a non-profit, so having the developer be the one who actually does the construction. It is one of the options that is included in the policy. Any other comments or more questions actually from Councilmembers.

Chair Asing: I think, though, it is an option and because it is an option, I think what Mike brings is the opposite side of... if we do not choose the option, then the County is going to do it and I am not comfortable with that.

Ms. Zachary: Yes, thank you. Questions? Councilmember Kouchi?

Mr. Kouchi: I was just curious for Neil how he envisioned the private marketplace taking care of the gap housing if you want us to get (inaudible).

Mr. Tagawa: I guess how I envision it being taken care of is...

Mr. Kouchi: The market resolve...

Mr. Tagawa: Yes, I think it is left to current market forces. I think it does get solved.

Mr. Kouchi: And you read your page 23? Affordable for sale housing prices table (inaudible). And if the County of Kaua'i gap is 140 to 180, how does a three (3) bedroom unit get sold for between \$327,000 or \$433,000 in this present market and how are they able to purchase? Are you building anything in this range?

Mr. Tagawa: We are, yes. I think, you know...

Mr. Kouchi: Are you building it to meet the requirement?

Mr. Tagawa: No, but, again, all of our entire development for the whole market is more geared down, but the zoning allows to build the higher densities to it... to build toward this market. I guess my point was not to... if we have going up all to these ranges including the gap ranges, you are putting some real serious constraints on development and that further complicates the situation. Not that it shouldn't be addressed, any kind of agreement, but as general guidelines, it is probably difficult. I guess that was my point.

Mr. Kouchi: Or if you are going to build something like that, should you be credited for the diversity of the product being offered and identifying (inaudible). Going back to should it be punitive, should it be (inaudible)... make a difference (inaudible).

Ms. Zachary: Councilmember Rapozo?

Mr. Rapozo: It is kind of follow up because I read your opening paragraph in your page 1 on your assessment where you are saying that the natural market forces are handling the demand and not counting what you just described, any others, I don't know of any right now, this natural market that is addressing what Councilmember Kouchi just talked about, that price range. It is just not existent right now, so I am just curious. How do you validate that first bullet under assessment that the affordable demand is largely being satisfied by natural market forces?

Mr. Tagawa: Today, we do not have a policy in place, so outside of the policy in place (inaudible) over simplified by saying natural market forces, but, really, if we look at what is going on today on Kaua'i as far as the plan developments, the affordable ranges are being satisfied.

Mr. Rapozo: So you are talking about what is in place and not the fact that if we didn't have a policy, the natural market... that is what I understand. Natural market meaning no influence from the outside, just the natural market, but if you are saying it includes the current policies, then...

Mr. Tagawa: Yes, I guess what is currently in place with (inaudible).

Ms. Yukimura: It is not the natural market.

Mr. Rapozo: Well, anyway, what do you envision as a fair policy? Would you rather the policy just dictate a percentage of market units or affordable housing unit and with the flexibility for the developer and the County Housing Administrator or the County Housing Office because we could pass this in four (4) months and next year the times change. Two (2) years from now, the economics change and all of a sudden and I think it was mentioned earlier... 140% of median

no longer applies as it does today. So what would you as a developer feel is a policy that would basically provide that partnership that we keep talking about that is fair and equitable and provides for the ultimate use of both sides (County and developer) to produce the most homes in the affordable gap range. What would you see as a... what vehicle would you rather see, something so restrictive and specific like this one or... I am trying to figure out because this is all new to me as well.

Mr. Tagawa: I guess definitely not something that is very restrictive, something definitely more open ended with having minimums is something which we would be more in favor of with some flexibility to say, okay, this is how we are going to address this one at this time.

Mr. Rapozo: And I tell you what we have today and I think Ron talked about the \$25,000 in lieu fee, per unit fee and just... Ron stepped out, shucks, but I am sure he will... we have a project now, their project that still hasn't broken ground which the private developer, the experts, have not built or started yet. I think and I am not saying that government could do it any better, but there has to be a way to make these things happen. Is it for this policy to be flexible, so we can provide for changes in the market, but what would you and I think like Shaylene asked the... Councilmember Iseri-Carvalho asked the last... what is her name, Nagata, Tracy... you know, the specificity would help us a lot as far as you talk about minimums. What would the minimums be? Should we be stuck on a 30% unit, affordable housing unit number and the minimums that we should have in place to get to that point? Is that possible for you guys too?

Mr. Tagawa: Just in generalities, I would say, you know, somewhere (inaudible)... I mean for our project, the 25 works, but probably somewhere below that would be minimums which remain 15 to 20%... maybe in line of what you consider minimums.

Mr. Rapozo: That is just in the number.

Mr. Tresler: In flexibility and credits, I have seen other housing like Ron... like Councilmember Kouchi was discussing earlier that if you do the gap housing, you get maybe less credit, but you get credit for that versus doing housing in the lower ranges. That may add flexibility to the policy, but, you know, we are discussing and looking at policies and where that 15/20% is. If you look at that one example on the Big Island, it seems to always levitate back around that level. But, you know, having a guideline and a minimum in place would be a good thing I think and then, you know, as we do now negotiate... we are saying that we will be able to build 25% of this range from 80 to 140%, so the flexibility of being able to negotiate that, but having some floors... because, I know, historically, some people got away with way less and like you are saying, well, markets change too, so that has a big impact.

Mr. Rapozo: And, you know, I think that credit system you talk about, incentives. I think that is key. Many jurisdictions on the mainland use incentives, density incentives, whatever the case may be because you want the developer to do certain things, but, yet, you have to give them an incentive. I think that, also, maybe right now the bigger need is for gap where it maybe (inaudible) affordability and it may change again. I also think, like you said, as we are reviewing former projects in this County, I always wondered, how did they get away building so few units affordable versus the number of market that they built. And you look at the way that we give credits, you know, some things may give you a 2 ½ unit credit or a two (2) unit credit or... I forget how it was written, but, you know, it makes sense that if you have a 25% requirement that, you know, each unit represents one, so if the need right now is, let's say, 80 to 100 or 80 to 120, that would give you one credit. When you build that unit, that gives you one credit. Now if you choose to go upper, then maybe you get three-fourths of a credit or half a credit. So at the end of the day, you are going to have to build more of those affordable units if you choose to go to a different range of sales. Anyway, that is just my opinion, but you are saying incentives and flexibility. That is kind of what you...

Mr. Tagawa: Yes.

Ms. Zachary: I do want to make sure that we get recorded up there that you suggested that there is a possible minimum 15 to 20%.

Mr. Tagawa: Again, we are just throwing out those numbers.

Ms. Zachary: Yes, but it is a number.

Mr. Rapozo: It is a workshop.

Ms. Zachary: We definitely heard the need for flexibility that you stated.

Mr. Tresler: I'd like to just throw something out there and I know recently that we've all been taking a lot of heat for our development going on and if you look at a lot of it, it is in the VDA area that was previously zoned and put a lot of pressure on housing needs and requirements. One really good thing that you are addressing is that right there is applying the housing requirements to the VDA which I think, the last to my knowledge was part of the bill.

Ms. Zachary: Can you restate that?

Ms. Yukimura: Can you explain that?

Mr. Tresler: The last I checked in the current bill is that it would be applicable to developments in the VDA area.

Ms. Zachary: It doesn't specifically say VDA, it does talk about resort developments.

Mr. Tresler: Well, then... I am looking at Maui. Maui had a affordable housing requirement on projects that occurred in the VDA area which would be resort and prior to this, to my knowledge, we didn't have that particular thing and there has been projects that have come about that did not have any requirements to address affordable housing or housing. Basically, how do you say, stimulated the need for affordable housing or housing in general by creating more jobs through their development. I am just saying that it is a good thing that you have that resort development thing added in the policy.

Ms. Zachary: Well, wonderful and if you would put that, there is a support for the resort inclusion within the policy. Thank you very much Mike for that. Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: Yes, Neil, and, again, going off of your presentation, you did an extensive review of what the other policies in other counties. Did you guys participate in those discussions regarding their policy on the Big Island and Maui at all?

Mr. Tagawa: No.

Ms. Iseri-Carvalho: So you are just were summarizing what was...

Mr. Tagawa: Summarizing how the comparison between counties.

Ms. Iseri-Carvalho: And in looking at the numbers that were proposed with Hawai'i... the Big Island one had a certain number of credits and the Maui on had a certain amount of percentages depending if you are under or over 600,000, would any of those policies have worked for you? For your development of projects?

Mr. Tagawa: The Big Island (inaudible) you have flexibility to have the credits and it is at 20%, so that would still work.

Ms. Iseri-Carvalho: Okay, the Maui one, that would be difficult, is that what you are saying?

Mr. Tagawa: The Maui one would have been over.

Ms. Iseri-Carvalho: Alright.

Ms. Zachary: I just want to make sure that it gets recaptured up there. So the statement was that the Big Island's credit system might be workable for... in Grove Farm's view. The Maui system would not.

Mr. Tagawa: The Big Island offers the credits, so (inaudible) give you flexibility to adjust (inaudible).

Ms. Iseri-Carvalho: And, again, another summary on the Kaua'i one, the numbers... the concerns on the numbers was that because the credit system would probably help, is that what you are saying?

Mr. Tagawa: I guess the Maui one is strict (inaudible).

Ms. Iseri-Carvalho: And Kaua'i one as well. I mean, so you are saying that... I mean, there is, I guess a credit system on the Big Island one, but there is a system that is rigid in the sense that you get two (2) credits if you build below 80%, 1.5 if it is 100, so there is a system that is set up. So the policy does have some rigid character to it, but there is that alternative about the credits and that is what you think would be work... or bonus densities of that sort is something you are looking at as an addition to the otherwise rigid structure that is currently in place.

Mr. Tagawa: Yes.

Ms. Iseri-Carvalho: Alright, thank you.

Ms. Zachary: Councilmember Yukimura?

Ms. Yukimura: So I, too, have a question of page 2 about affordable demand as largely being satisfied by natural market forces and you were clarifying that you don't mean natural market forces, you mean being met by the existing system that is in place in terms of government requirements for affordable housing even though they have been ad hoc. They are not natural market. The market would not have provided for it if there weren't the requirement that they be provided.

Mr. Tagawa: I guess what I meant outside of a policy that currently in place.

Ms. Yukimura: I am sorry, what?

Mr. Tagawa: Yes, I agree with you. It had not... it is prior to this policy going in place, things have been satisfied.

Ms. Yukimura: So the things are being satisfied by the status quo?

Mr. Tagawa: Yes.

Ms. Yukimura: Today's situation?

Mr. Kouchi: Just a fair thing, though, is that if we could all agree and if we don't, you know, I can understand it going forward. For better or worse, would you agree that there is presently a policy that the County has to address affordable housing?

Ms. Yukimura: That wasn't my question. So my question is...

Ms. Zachary: Councilmember Kouchi... Councilmember Yukimura has the floor for a moment.

Ms. Yukimura: So you are saying that the median house price is... the report in *The Garden Island* said that it is \$865,000 as of January 2005 and I find that hard to believe, but let's say that it is \$600,000. Okay, \$680,000 is the median price, approximately there, that means... Mike, you can correct me if I am wrong, but half the houses on Kaua'i are priced above the median, so above \$650,000 and half are below. How can we say that the market or even the status quo situation is providing sufficient affordable housing for this island?

Mr. Tresler: Based on the slides that we have shown and the research, but to answer your question about the percentages, I think it is really skewed towards these high end...

Ms. Yukimura: Median would not, average would.

Mr. Tresler: Yes, but I don't think it is relative to the number of homes, right? It is a price thing, so if you sell a home for \$5 million, they had skewed the average price.

Ms. Yukimura: But we are talking median and not average. Median means...

Mr. Tresler: Well, median price devel... anyway, you say (inaudible) satisfied and just based on that survey need, we just simply show that this is a demand for the housing in this area and this is what we have studied an analysis showed that we can build out in this one project.

Ms. Yukimura: Then I want to ask you because we had the presentation of the Ward survey and I think, actually, many of the questions that

Councilmember Iseri-Carvalho and I asked, indicated that we... (change side of tape). I mean, the data that you are presenting defies the perception that is everywhere else on this island. People leaving the island, homeless, crowded, all of that, is indicating that the need is not being met. So I...

Mr. Tresler: Should we say, can be in the near future then? The three (3) to six (6) years and...

Ms. Yukimura: Well, but I don't even agree... we have to first agree and I would love Mr. Rainforth to weigh on this, what the need is? I don't believe that the Ward survey is describing the need accurately.

Ms. Zachary: I am going to ask... I know that this is an important issue and there may be disagreement about what is true and what is not. However, it does take us (inaudible) from Article 2 and 3, so forgive me for putting a stop to this particular discussion because I don't think we are going to resolve it specifically and we need to get back to our policy at hand.

Ms. Yukimura: I thought that they were addressing the policy with this and that my question is addressing what they are talking about. But, if not, I will go onto something else. It is regarding the land, the 10% land dedication. Mike, you said that developers do a better job of building. I'd like you to tell me how many below 80% units developers have built in the last 10 years on Kaua'i.

Mr. Tresler: I can't.

Ms. Yukimura: I don't believe that there is any.

Mr. Tresler: And that may be true.

Ms. Yukimura: And the land requirement is to address that need and it actually is a requirement that would share the burden because it is not saying, Grove Farm, you have to develop all of the... you have to develop all of the... below 80%. To develop below 80% is the deepest subsidies you can ever imagine and that is why the market is not providing it and developers are not providing it. So this proposed policy is saying, hey developer, you give us land and off site infrastructure and, we, the County or a non-profit will develop the buildings and the on site infrastructure. And you are correct that the County has not been scintillating and it is... the County or State in its provision of housing that is below 80%, but I bet the track record on Kaua'i is substantial because of Kalepa where there was land and on site infrastructure. Your statement about the State lands is exactly the issue that people can give us lands galore, but if there is no infrastructure to it, then we can't... we take forever because they are really... if not insurmountable, they are very difficult obstacles to overcome.

Mr. Tresler: I agree 100% and we face the same obstacle.

Ms. Yukimura: But that is why, where you are already putting in infrastructure to a site and you are going to have the market carry some of that, you can... the market to help you carry some of that, then to give the County some land with some infrastructure to build... I mean, on site... excuse me, off site infrastructure, then the County can really take off like we do at Kalepa because we have the pre-requisites there and that is the importance of this 10%. It would enable us to address the 80% and below which is a very difficult part and which is a very large part of the need as I recall. There is a huge need down there and that is the need that pushes people into homelessness. So it is a really critical need to address, so if we get the developers to come halfway, then we can do the other half. But I think your point about a timetable is really very, very good point. I don't know... it is much easier to put in that below 80% first and then build a market housing around it, than vice versa. I am not sure what the answer is, so timing is important even when Grove Farm came in and down zoned that R-20 or R-10 piece right by Pu... what is the... is it Puako?

Ms. Zachary: Is there a question JoAnn?

Ms. Yukimura: Excuse me? Pikake I think. Yes, you down zoned a parcel over there and we were saying, why down zone it because it is multiple, it is smart growth, it is a multi-family housing, but you had already built your single family housing around it, so it was going to be difficult to build a multi-family in there. Anyway, that is why your question about timing is important. But, I mean, this is not a question, but it is a response to Mike's response to the Chair about the 10% land requirement which is an issue of this bill and, hopefully this workshop is allowing the kind of discussion that we don't always have on the floor which is give and take with the audience, so that we can formulate a good policy.

Mr. Tresler: My response is just that, you know, flexibility incentive would really help in that partnership.

Ms. Zachary: I am not sure that the point got put onto the record there related to the need for a timetable for the development of the 10% land donation. I just want to be sure because that was a point that you really clearly made. Any other Councilmembers? Councilmember Bynum?

Mr. Bynum: So I think some of us, right up front, had difficulty with the statement of... but may not be necessary as an affordable demand is largely being satisfied by natural market forces. What I hear you saying now is, it may not be necessary as affordable demand will be met within three (3) to five (5) years based on current status quo conditions, so that would have been better.

Mr. Bynum: So I want to get specific because you say, on page 10 of your presentation, between below 80% of median income, you are going to build 245 units, right?

Mr. Tagawa: Yes.

Mr. Bynum: So if I am family of... if I am at 80%... that means I make less than \$53,000, I am a family of four (4), what are you going to have for me? What kind of unit is that going to be and how much is it going to cost?

Mr. Tagawa: That would be... So the below 80% would be for the one bedroom, \$120,700.

Mr. Bynum: But I have two (2) kids, so I need at least three (3) bedrooms, right?

Mr. Tagawa: \$161,300.

Mr. Bynum: And what kind of unit is that going to be? Is that going to be a single family resident?

Mr. Tagawa: No.

Mr. Bynum: What is it going to be?

Mr. Tagawa: It would be multi-family.

Mr. Bynum: An apartment or like a duplex?

Mr. Tagawa: It depends. Most likely townhouse type of arrangement.

Mr. Bynum: So I am going to have a townhouse and how many square feet is that going to be?

Ms. Yukimura: About 1,000.

Mr. Bynum: 1,000.

Mr. Tagawa: For a three (3) bedroom? I don't have that information with me now.

Mr. Bynum: So if I am at a 100% of income, between \$50,000 and \$60,000, you are going to build a 123 unit.

Mr. Tagawa: Yes.

Mr. Bynum: So... because 100% is \$60,000, so if you have two (2) wage earners that are making \$30,000, you are at 100%, right? For a household and what kind of unit is that going to be? Is that a town home, is that a single family resident?

Mr. Tagawa: So I guess, all of these, they would be mixed. I would doubt that it would be single family residence at that point.

Mr. Bynum: All of these 614 units are town homes?

Mr. Tagawa: Or duplex maybe.

Chair Asing: More than likely.

Mr. Bynum: And I am going to own these at those rates, fee simple?

Mr. Tagawa: That is...

Mr. Tresler: Well, Councilmember, we did state that all those things need to be determined in conjunction with the housing requirements and working that with housing department.

Mr. Bynum: If I am up to a... all of these 614... even up to 140% of income, right, which I might pay \$350,000 or \$340,000 or are you going to be multi-family residence? So earlier you said, in the past, some people may have gotten away with a lot less, can you give me an example of somebody that got away with a lot less?

Mr. Tresler: I believe that was not a comment that we made.

Mr. Bynum: I wrote it down when you said it Mike.

Mr. Tresler: Did I say that? Well, I can't give you a specific comment, example.

Mr. Bynum: So if this was 20% what you are suggesting would work 20% affordable, plus the 10% land, you could live with that?

Mr. Tagawa: (Inaudible). I would have to review that, but I think that would be... (inaudible).

Mr. Bynum: But then our housing policy doesn't address people below 80% at all.

Mr. Tagawa: The current housing policy does have below 80.

Mr. Bynum: Oh, I am sorry. So it would address people at 60% of household income?

Mr. Tagawa: That is not specified.

Mr. Bynum: Just below 80.

Ms. Zachary: Alright, Councilmember Yukimura?

Ms. Yukimura: On that same chart, page 10, you show a total of 2,454 units? What is the area, please refresh my memory that we are talking about?

Mr. Tagawa: Geographically?

Ms. Yukimura: Yes.

Mr. Tagawa: Near the airport region.

Ms. Yukimura: Okay, so you are going to build 2,454 units, and of that, 614 are going to be affordable?

Mr. Tagawa: In these ranges, yes.

Ms. Yukimura: And these 614 are going to be in Hanamā'ulu?

Mr. Tagawa: No.

Ms. Yukimura: They are going to be mixed throughout the development?

Mr. Tagawa: (Inaudible).

Mr. Tresler: Some of it will be.

Mr. Tagawa: In the project in that Hanamā'ulu triangle area, south portion will be that there. It will be integrated throughout the entire area.

Ms. Yukimura: How many are going to be in the Hanamā'ulu triangle?

Mr. Tagawa: 175.

Chair Asing: What page is that you are looking at now?

Ms. Yukimura: Page 10.

Chair Asing: The page that you made reference to now.

Mr. Tagawa: Near the back, in the appendix, appendix 1.

Chair Asing: I got 30 pages.

Mr. Tresler: 18.

Chair Asing: 18?

Mr. Tresler: Yes.

Ms. Yukimura: You know the demand that you say you are basing all of this on, is that the one where... the survey that you asked people where they wanted to live? That is the demand that you are talking about?

Mr. Tagawa: I don't recall the exact (inaudible).

Ms. Yukimura: See, I mean, that is the crazy thing. That doesn't describe need, that describes desire and it is regional desire. So you might be satisfying regional desire, but you are not addressing regional need or island need. I mean, yes, so what if, like 50% want to live in Kilauea... 50% of the 80% and below want to live in Kilauea, I mean, so what? That is not going to determine our housing policy in terms of addressing... you know, you can't build for... anyway, so... and, also, I see an increasing trend of people wanting to live in Lihu'e because, you know, we have an aging population that wants to be close to the services, especially the hospital... I mean, we see the trend, you guys are servicing some of that trend, okay? And then people also, you know, don't want to pay so much gas and all of this, so how do you know that this is going to be the... first of all, this need is going to reflect demand in three (3) years.

Mr. Tresler: There is no other way or research out there that we have and, honestly, we cannot just say, eh, that is absolute and we know. This is to the best of our knowledge on what available information was out there is that what we had. Basically, let's focus on the units that we are developing and the percentages. Anyway, we thought it would be good to show you that these are our plans and these are the units that we willing to put out if we can do a development with a 25% requirement as such.

Ms. Zachary: Councilmember Asing?

Chair Asing: Then Mike and Neil, this package represents what your plans are for the Līhu'e/Hanamā'ulu area as it relates to the survey that was done and you are trying to satisfy the survey results, am I correct?

Mr. Tresler: Well, correct in that that is what our plan is, but I don't think we are just specifically trying to address only that survey, but looking at kind of what the current requirements are and proposing that this is how we had addressed some of the needs.

Chair Asing: Well, of course, tied to the policy?

Mr. Tresler: Yes.

Chair Asing: Yes, okay, then we are on the same wave length, so I understand where you are coming from and what your plans were based on. Thank you.

Ms. Zachary: Any other questions?

Mr. Kouchi: Just a quick one. I am assuming in that projection that is accounting for that development (inaudible)... four (4) way traffic light by the airport that...

Mr. Tagawa: Yes.

Mr. Kouchi: And so it is part of a plan, master planned community, where you have commercial, industrial, so I am assuming that part of the need is self driven and that we are creating "x" amount of jobs in this area, so that is going to generate a certain amount of demand for housing as well.

Mr. Tagawa: Yes, that is correct.

Mr. Zachary: I want to make sure we capture that up there and that the increased amount of development and commercial development around the airport... commercial/industrial will then create its own set of these for workforce housing. JoAnn, you had a question?

Ms. Yukimura: Yes, that is related to... and I think Councilmember Kouchi's point is well taken. That means that Grove Farm is going to have an additional requirement based on their commercial proposals and you folks are not giving us any input on that at this point.

Ms. Zachary: In Article 2 and 3, there is also requirements related to commercial/industrial?

Mr. Tresler: Yes, but we... I mean, we are looking at, again, what Council Chair had pointed out is, this is our proposal for this development given the current requirements and not saying that... I mean, clearly, that is not what we are addressing. We are trying to address everything with the current requirements.

Mr. Kouchi: They are looking at 600 some odd affordable units as part of this whole overall plan (inaudible), so the credit (inaudible) 175, 176 of that would be at the Hanamā'ulu triangle. I know that the... by the old Jack Harter site, you have zoned multi-family land, you have four (4) zoned pockets from behind WalMart and along the, what is that, Ahukini?

Mr. Tresler: Ahukini.

Mr. Kouchi: Already zoned multi-family that could be incorporated into multi-family affordable.

Ms. Zachary: Okay, going once, going twice, any last questions?

Mr. Rapozo: No questions.

Mr. Zachary: Alright, well, thank you so much Neil and Mike, I know it was maybe tough, but I think very worthwhile to hear what you had to say on these different issues. And thank you Councilmembers for your good questions, so Councilmember Iseri-Carvalho, what time shall we reconvene?

Ms. Iseri-Carvalho: At 1:30 p.m. and then the next speaker up would be Tom Shigemoto. Thank you.

There being no objections, the Committee recessed at 12:20 p.m.

The meeting was called back to order at 1:30 p.m., and proceeded as follows:

Ms. Iseri-Carvalho: The meeting was scheduled to be at 1:30 p.m. and it is now past 1:30 p.m. The next person up to speak is Tom Shigemoto. Thank you.

There being no objections, the rules were suspended.

Ms. Zachary: As Tom is getting settled, I just want to remind people that the same guidelines are in place as we had earlier related to Article 2 and 3 and asking Councilmembers to ask questions of our speaker.

TOM SHIGEMOTO: Is this on? I am not organized like Grove Farm. No PowerPoint handouts. Actually, I threw them away after the grilling that they got, gee. Are we ready?

Ms. Iseri-Carvalho: Yes.

Mr. Shigemoto: Good afternoon Councilmembers, Chair Asing. For the record, my name is Tom Shigemoto and I am employed by A&B Properties. First let me say, you know, I find it interesting that the people that we are trying to provide housing for, nobody is here and that leads me to my first comment that this bill really is aimed at the major landowners and developers, let's face it. Everybody... and this is a good thing, don't get me wrong. The Housing Policy bill is a good thing, we need one. We need consistency, we need reliability when we are planning our projects, so from that standpoint, I fully support adoption of a housing policy. Again, as some of the other speakers have said, it needs to be fair, it needs to be reasonable, and that encompasses a whole gamut of things. But, basically, if it is not fair and Chairman Asing, you asked... or you made a comment that, does this work for the developers or the landowners and that is the crux of this whole thing. If it doesn't work for us, I can almost guarantee you that development will stop and you won't get the housing that this whole ordinance or bill is aimed to accomplish. Again, at this point, can I ask a question? Why didn't we do Article 1?

Ms. Iseri-Carvalho: And I will answer that. The reason was because 2 and 3 were aimed at the developers and that seemed to be the persons who had written a lot of testimony in the prior hearings that we had gotten, so to address their needs to get that all upfront, we did. We will be going through the other Articles which we anticipate will not be as difficult and that was the only reason.

Mr. Shigemoto: Okay.

Ms. Iseri-Carvalho: Because most of the public hearing and the Committee meetings that we had, had concentrated on basically those two (2) sections.

Mr. Shigemoto: Okay, thank you.

Ms. Iseri-Carvalho: Not that we find those more important than any others, it is simply because that is where the concentration of the prior testimony had been.

Mr. Shigemoto: Alright, I understand. Thank you. And I would also like to thank the Council for holding this workshop because it is important to get our ideas or comments on the bill itself, so I appreciate that. First of all, regarding Articles 2 and 3, let me just say that including commercial, resort and industrial,

when you think about, these three (3) types of uses are your economic engines for the island, okay. I think long term wearing a planners hat, long term, if you attach these housing conditions on these types of zoning amendments, what is going to happen down the line when developers or landowners stop applying for these economic generators because the housing condition attached to them are too onerous, then you lose that ability for that type of economic growth. Let's face it, part of the housing problem is what people are able to afford to pay for these units. If they don't have jobs, they are not going to need housing even because they are not earning enough to pay for these homes. So to attach these housing conditions on the three (3) economic generators I think is... needs to be considered. Resort, perhaps, because resort developments do create a lot of employees, so maybe there is fair way to determine how many units are required per room or whatever it is. I think that is a fair... something to look at.

Ms. Zachary: Excuse me, Tom, I am so sorry, but you said some important points that didn't get up on the chart and I want to make sure that they are there.

Mr. Shigemoto: Am I talking too fast?

Ms. Zachary: No, you are doing just right, but one of the points very early on, in addition to saying that he supports the adoption of a policy, he said that it needs to be fair and reasonable and I think that needs to be stated there. And then the part that you crossed out is actually okay down below, but he did say that he had some concerns that attaching housing conditions to commercial, resort and industrial might have unintended consequences. And that having it attached to the resort portion might be okay. Is that correct?

Mr. Shigemoto: That is correct.

Ms. Zachary: Sorry, I didn't mean to interrupt you, but I wanted to be sure that it got up there.

Mr. Shigemoto: Thank you. I have a hard time reading and talking at the same time, so I am not paying attention. Anyway, so if you... my recommendation would be not to include commercial and industrial zoning amendments to exact housing. Of course, a lot of times you hear, you know, a lawyer will tell you, it doesn't make sense, the nexus of requiring housing for residential developments, but for the time being, that is about the only place you can attach this housing requirements to when somebody comes in for residential developments. So that is a given, again, and that is not a problem for us. As far as the percentages go, it has been and will always be my contention that the 100% and below the median are housing that must be developed by government. To expect the private developers to subsidize that type of housing would just drive up the market units so much that,

you know, this is going to cause, perhaps, developments to stop. Everything we do and I don't know about Grove Farm, but everything we do is market driven. So if the market isn't there, first of all, then obviously, we are not going to be developing just for the sake of development, you know. We are going to be watching what the market does and how the market turns before we start doing anything. And A&B has been a very cautious company like our Kukui'ula Development more recently is sort of an (inaudible) because we are not really resort developers, but that project was a resort residential project, so, therefore, it is a different category than your bedroom community developments like what Grove Farm is doing in Hanamā'ulu and Puhi and what we did at Hanapēpē.

That being said, I also want to say that the housing policy got to somehow address where and what types of development are being proposed before you can exact housing or impose housing conditions because... and this gets to the issue of integration of the units. I am just speaking and I am not trying to be discriminatory or anything like that, but if you ask the person on the street if he wants to own... now we are talking about people who are in the 100 and below category. If they want to live in a community that is surrounded by multi-million dollar homes and I think the answer would be no. They wouldn't feel comfortable and vice versa. The people who are going to be buying in these high end developments don't really and won't buy if they are forced to buy something that has, you know, these very, very low housing units in their project. So that is something, I think, that needs to be addressed and looked at.

Ms. Zachary: Excuse me Tom. So the point is really looking at the economic integration and perhaps Tom's point is, perhaps, low income and high income shouldn't be mixed or it is not desirable for the point of view of the land... the resident for it to be mixed.

Mr. Shigemoto: Correct. So I believe that this bill, you know, it has those six (6) categories and 5% each category... I believe this bill really should address the problem of providing affordable units and affordable being from 100% to 140%. As I said, the 100% and below really is government's responsibility. We can and are willing to provide the affordable units in the 100 to 140%. 140% and above, I consider gap and let the gap group units be developed as market dictates. As an example, we are doing a project right now as you probably know at Port Allen (our Keala'ula and Kaiolino) and this was not subject to any zoning amendment or anything. We have targeted the gap group. Our intent was to sell units at \$100,000 below market. We are selling them... single family homes from \$340,000 up to \$480,000 and the \$480,000 are units that sit on the edge of the bluff overlooking Hanapēpē Valley, so those come in a little higher price, but that is what we are selling the units there for. So there are no laws or no exactions imposed on us. This is something that we felt we wanted to do and had to do as good corporate citizens. If you look in the room, Grove Farm is in the same book. They are trying

to provide gap and affordable units in their developments and have been for many, many years, you know. They had 60% affordable which is very, very difficult to make go with. Anyway, I am not alone. I think Princeville will be trying to do the same, Kikiaola, they will be up to the same... you know, doing the same thing too for their constituents or their residents or people that they want to serve. So I think it is okay to let the market demands dictate what kind of gap group housing is developed and when. I go back to what I said earlier, you have to look at where the development is coming in and what kind it is because if you are talking about developments in say, Kīlauea with no ocean views, Hanapēpē, Waimea, parts of Kalāheo, these are not high end kinds of development unless they have extraordinary views, but if they are just basic bedroom community type developments, that is where, you know, you are going to get the gap group prices without having any kind of exactions imposed if they come in for zoning. As I said, if the market isn't there, we are not going to be developing those units anyway.

The 10% requirement, I don't know where that came from and I understand and I think it is admirable that the Mayor and the Housing Agency is thinking about that, but, imagine now, you have... let's say you have 20 zoning amendments across the island, okay, and then there is 10% requirement. Some are very small and some are fairly large, but you have a lot of these small pocket lands that are going to be dedicated to the County at a density of no more than 14 units per acre. That means you are necessarily going to... or probably going to have multi-family developments surrounded by single family development. Does that make sense? I don't know. Today, if, you know, if some... you come in with a multi-family development say in Molokoa, you are going to have a whole community here fighting it. Now, whether that is wrong or right, I am just presenting that fact. That is something that needs to be considered. I think if you are going to impose a land dedication requirement, perhaps something off site might be fairer for the major or the large landowners. We have land, so land is not the question, so we can dedicate land and I would dare say we could offer larger areas of land to the County for housing if it were off site... instead of having a 10% requirement onsite, so I guess what I am driving at is, perhaps, there should be some flexibility in allowing developers to have that flexibility of providing... if they had the place onsite, do it, if not, maybe larger dedication off site someplace with infrastructure. But, again, those things need to be crank... when we do our evaluation of a project, we are going to have to... again, if something like this is adopted, we know how much land area we are dealing with, how many units we need to provide, so we can calculate what that is going to cost us. So if there is no infrastructure on lands that we... where we own that will be developed for housing off site, we can factor that into the total cost which will then decide or determine whether or not we move forward with the development or not. You know, so that is something that needs to be considered. I don't have exact figures. We can keep on working on this as the bill moves forward, but that is something that is problematic I think, so, you know, the land portion component.

As far as a percentage, my... Ron Kouchi brought up a good point and he asked somebody if they felt that the current policy is better than the new one and my druthers, if I had a choice, I'd say, well, let's stick with the current policy and adopt that. I think we are talking... we are looking at about a 15% housing requirement, Ken? With the credit system? That works well. The problem is, it has never been adopted, so that is why you have too much flexibility and that is why you get into long debates on how much in lieu fee, how many units should be and if that works, that is fine. I feel that something more structured should be crafted and developed and if you want to adopt the current policy in its current form, that works too.

I do agree that a longer buyback period is necessary. Ten (10) years is too short. Perhaps something in the 20 to 25 year range is more reasonable. 99 years is too long, but, you know, it does keep affordability in perpetuity, so that is that. But there should be some fairness. The reason I say that is we presented this to a group out in Kōloa and we explained to them our conditions of approval and with the 99 year buyback and almost everyone just felt that it wasn't fair. They just said, well, you guys just might as well rent the units instead of selling them which, again, we do have that option as developers at Kukui'ula to do that. So that still may be done. We may develop rentals versus for sale units, but, anyway, people out there still... it just part of the American dream. They buy a unit even though it is affordable, they do want some kind of equity out of it when they are ready to sell. That is about all I have to say. I am sorry that I don't have anything written or, you know, polished as Grove Farm's presentation, but I am open to any questions you might have.

Ms. Zachary: Well, Tom, I have to tell you, you were so organized and right to the point. You followed the ground rules precisely. Thank you.

Ms. Iseri-Carvalho: Exactly that.

Ms. Zachary: Councilmembers, any questions of Tom? Councilmember Iseri-Carvalho?

Ms. Iseri-Carvalho: Thank you Tom and it was really easy to follow your points. I guess the question and probably what concerns me is your statement about building homes less than 100% of median income should be solely government's responsibility. Is that your statement?

Mr. Shigemoto: Yes. Again, you know, these are highly subsidized units and uni... if you look at the income... you know, we have all these income data that was in the housing study that you got and even if you did your own independent, you will find that a lot of... the prices at that income level... I mean, at that level,

people can't... they have a hard time affording, so they have to be highly subsidized. It is really... to me, it is really government's responsibility to provide for that group of...

Ms. Iseri-Carvalho: I guess for me, I would differ in that respect and that I think that it is everybody's responsibility to help everybody. You know, granted, it might cost more, but maybe when I think the policy was first developed, the draft one, we didn't go up higher than 140 I believe and the current policy goes up to 180 which, really... there was some discussion by a lot of the Councilmembers that, that, in effect is really providing market housing, so even though it looks like we are requiring 40%, a large portion of that is not really on the affordable sense of the Kaua'i resident. So that is some of the dilemma that we face. I think your point is well taken about the dedication of land that... and maybe Grove Farm is in that kind of situation. You have some developers who are land rich, cash poor and some who are cash rich and land poor. You are right, we need to provide that kind of flexibility depending on the type of company, I think, that is there. There would be some structure, I think, but there would be these options that would work depending upon what type of company would come forward. So it would be some consistency in the sense that you will have a gamut of options and then whether you pick option A, B, C, would depend on what is feasible to your company. So, you know, I recognize that and value that opinion about appreciation. You know, appreciating what certain companies can provide and what other companies may not be able to provide. Maybe some people could provide infrastructure at a lot cheaper cost than other companies as well depending upon where your land is and how close they are to County infrastructure.

Mr. Shigemoto: That is correct.

Ms. Iseri-Carvalho: Hook ups, etc. and that was something that, I guess, we had not considered. I think when I first looked at the policy, I really was concerned about having economic integration because we had witnessed what had happened in the past. I think that issue actually has been resolved through the partnerships in yourself as well as Kaua'i Lagoons and other projects that have come forward that recognize that need as well and have incorporated in their development plans, various types of housing that would suit that community needs.

Mr. Shigemoto: Uh huh.

Ms. Iseri-Carvalho: So, definitely, that is a lesson that I learned that it may not be as easy as we thought like just put everybody together because it is nice that everybody gets to live together, but you are right, maybe some people might not want to live in that area or maybe it is a lot cheaper and you could provide more housing for certain income groups where the need is. Maybe the need is in Po'ipū, I don't know. I mean, we have so many studies now that have come up and we are

waiting for the new one that is going to come out in a couple of months. I anticipate the S&S one.

Mr. Shigemoto: That is right.

Ms. Iseri-Carvalho: And then the other question that I had was on the buyback. You recognize the need for a longer buyback and do you support the position that the buybacks should be equal across the board or there should be some varying amounts. I think the way the policy is drafted now, it has... depending upon the higher income group, you have less of a buyback.

Mr. Shigemoto: My feel on that... if it is going to be adopted in these 5% increments, my feeling on that is that it is good that it is structured or you have the different levels. And the reason I say that is because...

Ms. Iseri-Carvalho: You mean the different levels on the buyback or the...

Mr. Shigemoto: On the buyback. Shorter periods for...

Ms. Iseri-Carvalho: 3, 5, 7 or something like that?

Mr. Shigemoto: Shorter for the people that are in the moderate and above 140, right?

Ms. Iseri-Carvalho: Right.

Mr. Shigemoto: And the reason I say that is simply because these are the folks that have the ability to move out. So if they do that, then, you know, they should have a shorter buyback period and then they can move up and then that units becomes available. It is that way.

Ms. Iseri-Carvalho: And then your position on the leaseholds... the way that the current structure in the policy is that leaseholds would apply to the lower income groups, you would disagree with that because you feel that the policy should not even cover that income group at all?

Mr. Shigemoto: That is right.

Ms. Iseri-Carvalho: Alright, thank you.

Mr. Shigemoto: You're welcome.

Ms. Zachary: Councilmember Rapozo?

Mr. Rapozo: Thank you. Tom, I have to follow up on that as far as the staggered buybacks because let's use the 140% house. A homeowner buys it and in three (3) years he can sell it, that doesn't necessarily mean that that home remains affordable because now that person can sell it for whatever he wants after the three (3) year. But that is why I am saying, earlier, you don't regulate 140 and above, but if you are going to leave it in... If you are going to leave it in, then I still... this is my opinion, I still feel that that person should be able to sell it and get out.

Mr. Shigemoto: Gap.

Mr. Rapozo: Right, so that now becomes a market unit after three (3) years and I guess that is the problem that I have is... I heard you say increase it and maybe we will start off at 25 and then it goes to 20 and 15, so maybe after 15 years, the person can sell it if he is at the 140 or above (change tape)... is going to get out of... or exercise the right to sell, but keep it in that range if the market is at a point where they can make an extra \$100,000. I mean, nobody is going to... out of the goodness of their heart unless the policy is written in the sense that... well, it couldn't... if you put the buyback at three (3) or if it is after three (3) years, he can sell it for whatever he wants.

Mr. Shigemoto: I understand and that is a very good point, but I am anticipating that if you had these units in that range up to 180% of the median, that there be some restriction on what happens to the unit if the guy sells it. Because he has to sell it back to either the developer or the County.

Mr. Rapozo: Not after the buyback clause. Once that three (3) years is up...

Mr. Shigemoto: Then he can sell it on the open market.

Mr. Rapozo: Well, that is how it is written, so what you are saying is and what I am saying is you need to extend that clause, that buyback period, so that if in fact he does, and I see Maui I think it is... they let you sell it for a purchase plus all any improvements and they have a 7%... I don't know what they call it... capital improvement or whatever, so they actually give them a 7% profit in the event they sell before which I think is fair I guess. It is not as much as they would get from the open market, but still provides them some equity or some positive cash at the time of sale.

Mr. Shigemoto: Sure. Well, I am not really sure what the rationale was with the sliding (inaudible), but that is my opinion as to what should happen after the three (3) year period.

Mr. Rapozo: Thank you.

Ms. Zachary: Councilmember Bynum?

Mr. Bynum: So if I put everything together, what you are said was, the policy shouldn't cover anything 100% and below or anything 140 and above.

Mr. Shigemoto: Yes.

Mr. Bynum: So it should focus on 120 to 140.

Mr. Shigemoto: 100 to 140.

Mr. Bynum: 100 to 140, so that rationale... it is like, we would have a policy that helped people that make... households that make \$65,000 to \$88,000, but families that make \$50,000 or \$40,000 or \$30,000, we don't assist at all with this policy.

Mr. Shigemoto: I am saying that should be the County's responsibility.

Mr. Bynum: Okay, I just want to be clear because, you know... or and certainly, that there is no assistance to say that a single parent makes \$14 an hour, that is \$30,000. You know, we... I mean, that is a lot of service industry people, right? People that are working in the hotels and, you know, and not every family is a two (2) income family. So if you put that all together, Tom, you are saying let's help people between \$60,000 and \$80,000, but anybody above or below.

Mr. Shigemoto: Tim, I believe that is what the current policies calls for. We are not expected to build affordable units below the 100%.

Mr. Bynum: Then you mentioned the development that you are doing in Hanapēpē that starts at \$340,000, so to qualify for a mortgage of \$340,000, the household income has to be about \$88,000.

Mr. Shigemoto: I believe so. I don't have that table. I know you are looking at a...

Mr. Bynum: Based on... what kind of two (2) income families make \$88,000? I mean, that is two (2) real good jobs, right?

Mr. Shigemoto: I know we got 100% Kaua'i residents, first time buyers for all of the single family units. So whether they are getting help from their parents or maybe they saved up, I can't say, but they are all Kaua'i residents and they are all going to live in them.

Mr. Bynum: And that is in Hanapēpē Heights or...

Mr. Shigemoto: No, no. This is Port Allen.

Mr. Bynum: At Port Allen, so those are multi-family residents?

Mr. Shigemoto: No, single family. We have 58 single family homes and there will be 75 condominium units.

Mr. Bynum: Okay.

Chair Asing: I just want to... I just want to comment on Tim, you know, your statement about the single Mom and how much they make and making reference to housing, I think we should recognize and I think we did recognize early on that not everybody can qualify for housing units. There are people that simply will not be able to afford affordable housing, but that is the reason for the rental units. So, you know, when we start targeting people, you know, it is just by income... some people will not be able to make that and that is the reason we looked at rental units and that is the reason the County has rentals. You know, that is just the fact of life. I think we recognize that and, you know, that is something that we addressed with, okay, we are going to handle some of these with rentals.

Mr. Bynum: And this policy seeks to assist that through the 10% land, right? To have assistance by giving 10% land with infrastructure that we can develop those rentals on.

Ms. Zachary: Councilmember Yukimura?

Ms. Yukimura: I really appreciate how specific you have been in, you know, making suggestions. That is very helpful and I think for the most part, they are well thought through, but I have to take issue with you on the 100% and below because the current policy has been addressing some of that. If you look at the self help housing in Puhi, you know, that was on land and infrastructure by Grove Farm that is addressing 100% below and that is the kind of partnership that is possible if the land rich large companies can help us with that. And then, you know, non-profits like Self-Help Housing Corporation or Kaua'i Housing Development Corporation or other places come in and that is the crucialness of the 10% requirement. Because if you just leave it to the County and State lands, we are never going to get it done because the infrastructure always kills us. You know, the on... the off site infrastructure.

Mr. Shigemoto: Uh huh.

Ms. Yukimura: So even Habitat for Humanity... I mean, that is A&B... well, they did buy A&B land, but it was at a large discount. I mean, if you are asking me, there is the government or non-profits to go on the market and get land, it is really hard. Like Councilmember Bynum points out, those with less than 100% are... they are like really upstanding citizens of this community. They are in the service industry, they are some single parents and we have to provide for them and everybody who says, current policy works... well, the fact that we are having to do this workshop means that the current policy isn't working. If it is, we wouldn't need an affordable housing policy. We would be having enough housing for everybody. So, anyway, that is where I raise my questions.

Mr. Shigemoto: You don't have to take issue with that. I am just providing you my opinions on the bill, you know, and JoAnn, A&B has done... we have donated land. You know, for example, 'Ele'ele Nani, we sold the County 20 lots for self-help.

Ms. Yukimura: Which was probably at a discounted...

Mr. Shigemoto: If I recall correctly, it was \$35,000 per lot, and then they went into the self-help housing program.

Ms. Yukimura: Right, with infrastructure.

Mr. Shigemoto: Yes. They were part of the subdivision.

Ms. Yukimura: Right, right, see, that is why it is easy.

Mr. Shigemoto: Well, see, I didn't mean to say that we don't want to do it, but I am just saying that it is hard if you expect the developers to keep on doing it and we are talking Grove Farm and we are not only talking about A&B. So I am just saying that it is difficult because on the high end, somebody has to subsidize that.

Ms. Yukimura: Well, and so be it because, for example...

Mr. Shigemoto: But if nobody buys the high end because it is too high, then what happens?

Ms. Yukimura: That is correct, but we haven't found that to be the case.

Mr. Shigemoto: Where is your example?

Ms. Yukimura: What?

Mr. Shigemoto: Where is your example that it hasn't happened that way?

Ms. Yukimura: The fact that all these developments and even Grove Farm has been done and we have been providing for both ends. I mean, you know, there is this issue of what the rational nexus. For me, the rational nexus is that there has to be... In the CZO, you don't get a rezoning unless you provide that there is a need in the community that you are going to be meeting. There are many people who would say that second end and high end homes, there is not a great need in terms of the community that is living here. And so, to me, by putting in the requirement for some... for houses that served the needs of the people who live here, that is making your development a justifiable development for rezoning. And, so, to me, there is a good balance that comes out of it. It is true that if the market dives, there is... you know, then we don't have an affordable housing problem like after the hurricane. People could get a house and lot for \$150,000 in some places and in rents, people could rent a, you know, in Princeville, you know, a place for \$1,000... you know, one of those vacation rental units or these condo units that were going... that have Jacuzzi and all of that, they could get it for a long term rental because there was no short term rental involved.

Mr. Shigemoto: Uh huh.

Ms. Yukimura: So that is when the landlords in the mid 90's and I think... I was no longer here, so it was like after 1994 that the landlords came in and accused the County of competing with them by... in our affordable housing program, but I was thinking about that and I think, at that time, when land and contracts are cheap, we should be putting in (like we did)... we should be buying land and putting in the infrastructure like at Kalepa and then when the market starts going up, then we start building the units. But we don't put occupy-able units until the need is really back again. I mean, it is hard because...

Ms. Zachary: JoAnn, excuse me, it is so interesting what you are saying, but is there a question for Tom specifically?

Ms. Yukimura: Yes, I do. My response was in response to Tom's response and we are trying to find. You know, we are trying to find solutions and we raised our arguments and then we hear the answers.

Mr. Shigemoto: Let me respond first.

Ms. Yukimura: Sure.

Mr. Shigemoto: If, you know, it is your will to include the 100% and below, then maybe some incentives should be cranked into the bill which is non-existent right now.

Ms. Yukimura: Right, and that is why I asked Tracy whether a density bonus would help in terms of the 10% land requirement. You know, we can give some additional density for market housing units, then maybe it will make the land dedication requirement less onerous or maybe workable.

Mr. Shigemoto: That is all that I am saying.

Ms. Yukimura: Yes, and that... I mean, I think... I hear what you guys are saying that the 10% requirement is difficult and could be the straw that breaks the camel's back. It could turn a development into unworkable.

Mr. Shigemoto: Yes. Again, as I said earlier, look at maybe including some flexibility. If it doesn't work onsite, maybe off site... more land off site, than the 10% onsite.

Ms. Yukimura: Yes and I want to ask you about that. You know, you say people don't want to live among multi-million dollar homes and I am guessing that you make really livable local homes in a multi-million dollar neighborhood, people... especially if it is close to a work place like in Po'ipū, people would live there. They would want to live there. I mean, I don't think we can assume that they don't want to live there. If, you know, if we built it as a livable community, I think people... I mean, I know people want to live in Po'ipū. So my question then is and I actually agree with you on the 140%. I don't think we should go higher than that. But with respect to the buybacks, the buybacks do include some return on equity... I mean, some equity back. Whatever the length, they do include that.

Mr. Shigemoto: They normally do, yes.

Ms. Yukimura: So is... I mean, but you see that as a problem? I mean, that is not enough equity or people should be able to get the speculative of equity? Is that what...

Mr. Shigemoto: All I am telling you is what people told us that they want... they do want the equity and may not even buy if it is such a long term like 99 years.

Ms. Yukimura: But if it was the choice between going to Las Vegas and staying here, they wouldn't buy it?

Mr. Shigemoto: I can't answer that.

Ms. Yukimura: I mean, because, and...

Mr. Shigemoto: JoAnn, you are asking me these questions, I can't answer it because, you know, all I am saying is, this is what I think is going to happen if it is too long a buyback period.

Ms. Yukimura: And I am not trying to put you on the spot, but you are presenting accurate information about your experience in speaking to families about the 90 year buyback. So I honor that, but I also feel that it depends on how it is presented to them too. Because, what if, they would be able... okay, what if say, there is, for argument sake, you use 30 houses that you would make available. If you make them available with 99 year buybacks, that would allow over a 90 year period of time, say maybe, 200 families over that period to live in homes where they don't have to pay for more than 30% of their household income for shelter cost, whereas, if you gave 30 homes and you had a 10 year buyback, that would only give 60 families... I mean, we almost have to measure it in affordable years. Do you see what I am getting?

Mr. Shigemoto: Yes.

Ms. Yukimura: And that some of these 200 families because you are only... because you are allowing people to sell the house in Po'ipū after 10 years, they and their children would never be able to get a house at that kind of affordable price because we are constantly playing catch up. As we make affordable houses, one of the... the same number is going out into the market. So the inventory that we have is... we are never providing the numbers that we need for the families that need. That is... you know, so these families, yes, if they are lucky in the lottery, they get the 30 houses, they've got it made. They get to spend only 30% of their income forever if they hold the house forever.

Mr. Shigemoto: Uh huh.

Ms. Yukimura: But then they sell it and they get a profit of \$600,000 and maybe it allows them to send their kid to college, but that house is no longer affordable, so then, maybe their kids and all the others don't have...

Ms. Zachary: JoAnn, excuse me. Is there a question?

Ms. Yukimura: I am done. Well, I am saying, so if you presented it that way, what would be the reaction?

Ms. Zachary: Any other Councilmembers with questions? Thank you so much Tom for putting up with all of us.

Mr. Shigemoto: No, thank you.

Ms. Yukimura: Especially me.

Ms. Zachary: Thank you for your information. We really appreciate it. Gilbert Nedo(sp.), did you want to say something. Would you state your name for the record please?

GILBERT NEDO: Gilbert Nedo. Basically, I am just here trying to figure out what is going on because an opportunity has arised for me that I may be able to purchase a piece of land and build a home, but it is working with some people that have bought a chunk of property and are willing to help me out. I met them about eight (8) years ago and I helped them out and their lives turned around and now they are back to help me. So, in other words, this is an answer prayer because there is no way I would be able to afford a home on Kaua'i. Otherwise, the gentleman that was just speaking of some of the things that he said and suggested (inaudible)... would count me out of the market completely. Like \$60,000 or above a year, I mean, it is just me and my 10 year old boy. You know, if it doesn't rain, I will make \$48,000 a year and that is if it doesn't rain. It is a pretty big if. Basically, guys, I am just here because (inaudible) opportunity has arised for me and if I can make it work, these people are willing to help me. They bought a chunk of land in Kalāheo... I don't know how it happened, but they came to me and they asked me, if were going to build a house anywhere on this island for yourself, where would you do it and I said in Kalāheo. And then they ended up buying some property and they turned around and said, you know, we don't know if you remember us, but you helped us out about eight (8) years ago and we want to help you out. So it is a situation and before that happened, you know what, I think you guys are doing a great job. Like I said, I voted for most of you guys because affordable housing... affordable housing is pretty big deal, do you know what I mean. Me and my friend... I was talking to a friend last night at Sueoka's market... you know, we were looking at having to leave. We really are looking at having to leave. He is in a tougher spot than I am. He has four (4) kids born and raised here and he doesn't make \$60,000 a year, you know. If somebody said that I could live in Po'ipū with a bunch of rich people, shoots, sign me up. I will do it. You know, that is fine as long as they don't mind that I live in shorts and wear slippers, it is all going to be cool. Anyway, I am just here trying to figure it out. I am trying to figure out a way to stay here. You know what, I don't know if we have time and it doesn't address this specifically, but if any of you guys are interested, I would be willing to tell you about it, but it is a dream, it is an answer to prayer. It is not all the time that you meet people that want to help other people. I think Ms. Iseri-Carvalho said it earlier and I was really glad to hear it. She said that we need to help each other, not leave it to government to do it. So I hope you guys do make these guys help us out, help my friends out and help everybody out. I am just going to try to figure out a way to, in the meantime, help myself.

Ms. Zachary: Thank you so much Gilbert. It is great to hear from members of the public and with their own perspectives and their own stories and it really puts the whole idea of this range of housing that is needed into perspective. Thank you so much.

Mr. Nedo: Yes, the 60% thing, you know, all of that, \$60,000, all of that... yes, if someone told me that I could buy a home cheap and then I couldn't sell it for a profit for 90 years, sign me up. I am trying to figure out a way to stay here and not sell it.

Ms. Zachary: Let's see if there are any questions from the Council for you.

Mr. Rapozo: I have a question. Gilbert, this parcel that you are talking about, are they developing more than five (5) lots or is there any direct connection to the policy or you just speaking in general terms for the community?

Mr. Nedo: You know, Mel, Mr. Rapozo...

Mr. Rapozo: Mel is fine.

Mr. Nedo: They are not really developers. Their lives have changed and things happen and they became very wealthy. When I met them, they didn't have anything and they stayed at my house when they had nowhere to stay and I bought them dinner at Duke's like eight (8) years ago, but it changed for them. They came back to help me and they are not developers and they are not looking to develop per say to build homes and sell them, flip them and whatever they do. You know, they are not looking to sell houses to millionaires. They do want to build a nice home for themselves and they want to build a home for each of their sons and they want to help me to put a home on this property and it is an 8.9 acre parcel. So they are looking at building five (5) homes and they are not looking at selling them, they just want to be able to build them. They don't need to sell them, they are not developers who are not here to flip it.

Mr. Rapozo: I am just trying to... you know, I hear what you are saying and I just trying to link the policy. The policy as it is written wouldn't prohibit them from helping you or anybody else.

Mr. Nedo: Well, that is why I am here because it is... I am not... I just don't understand at all.

Mr. Rapozo: And neither do I. We are all figuring this out as we move along, but I understand your testimony is, I think, as the facilitator said, important

because it is nice to hear from the community on what is going on outside. And you are right, I think we do have to help each other and...

Mr. Nedo: There is a lot of us out there that could use the help, you know, and I am sure any number of my friends would say, yes, I will live in Po'ipū. You know, or wouldn't meet the criteria of \$60,000 or above. You know, there is a lot of stuff. There is a lot of us out there that are trying to figure out a way to stay here. Basically, that is what I am doing and that is why I am here to figure out a way. And there might be a way, you know, and when I spoke to these people, I said, you know, if you are looking at building a bunch of homes, million dollar homes and reselling them and driving up the cost of housing on Kaua'i or doing vacation rentals, then you've got the wrong guy. I don't want to help you do that.

Ms. Zachary: Are there any other questions?

Chair Asing: I don't have a question, but I want to make a remark, Mel, regarding your statement that this will not...

Mr. Rapozo: The five (5) units...

Chair Asing: Yes, will hamper or put maybe some problems on the developer, it may, because we have in the residential development... the (inaudible) workforce housing requirements shall be applicable to residential zoning district boundary amendments and other zoning district boundary amendments. That proposed residential use that allowed the development of five (5) or more units, so in that particular case, this document here will affect them. They are going to have to, you know, follow these requirements and these requirements may make it difficult for them to do what they want to do.

Mr. Nedo: I understand that, but, you know, at the same time, that is why I am here. I read in the paper a couple of days ago and I read... I watch (not every single one of them) bits and pieces of you guys Council thing. But, you know, to tell you the truth, if this doesn't happen for me and I sacrificed and it helps 100 people, then alright. I do agree with what you guys are doing and what you are trying to do and I am here to see if maybe I can make it work, I can help myself. If you guys do this and try to help people and you make \$60,000 or above, then this doesn't help me, then I am back to trying to be creative, figure how me and my son are going to live here. His Mom is a realtor and she is going to be here and I just want to be around my son.

Ms. Zachary: Well, thank you so very much. We really appreciate you taking the time to come today. We appreciate it.

Mr. Nedo: Thanks guys.

Ms. Zachary: Is there anyone else in the audience who would like to speak?

Ms. Iseri-Carvalho: Anybody who spoke previously that wishes to address some of the concerns that may have come after you had provided your testimony? Okay, thank you. I guess at this time, we will call for discussion if there is further discussion. It is the Chair's request, I guess, that we will have another workshop. What I would like is have any amendments or proposed amendments by people that have testified to be turned into the Council in two (2) weeks which would make that... today is the 27th... by March 16. If there are any proposed amendments or considerations that you want the Council to address, if you could provide that by March 16 and the next meeting that seems to work for mostly everyone here and hopefully that works for you as well is for March 27, Tuesday. At that time, it is anticipated that we will address whatever concerns that you have raised or any proposed amendments. At that time, we would also like the Committee members who would like to propose any amendments to the current policy and we are only addressing Article 2 and 3 at this point. So I anticipate that the March 27 meeting will begin with addressing those amendments or considerations that specifically deal with Article 2 and 3 for the first half of the meeting, and then subsequent to that, the additional provisions. We are still trying to decide whether or not it will be the remaining provisions or whether we will concentrate on certain articles.

Mr. Kouchi: I know when we discussed this in the Committee, I had asked that we, at one of the workshops, contact Dee Crowell who had chaired that task force committee. I know that they had KIUC board meeting that started at 1:30 p.m. today and a workshop that started at 11:00 a.m. The 27th is probably their next board meeting, but I think that he would be available at 9:00 a.m. Usually the workshops start at 11:00 or 11:30 a.m., so if it would be, you know, acceptable to the rest Councilmembers, I would like to request that we see if he would be available at the beginning of the meeting and have some feedback from him. I know that when I did talk to him, he did have some comments that he was going to offer based on that experience with the task force.

Ms. Yukimura: Excuse me, who are you talking about?

Mr. Kouchi: Dee Crowell. He was not able to be here because of some KIUC commitments today.

Ms. Iseri-Carvalho: Alright.

Ms. Yukimura: Related to that, and perhaps they were already invited, but do we invite the task force people to come.

Mr. Kouchi: He is the chair, so that is why in that capacity.

Ms. Iseri-Carvalho: Everyone was invited, the entire public was invited. As I indicated earlier, we were not going to send out special invitations to particular people because there was a possibility that we would miss some. It was on the website, we did a press release, there were several articles in the paper, the invitation was open to all, and I anticipate doing the same kind of publicity that we had done earlier. For that purpose, it is just to allow fairness to everyone. There weren't any special invitations that went out. If there are people that cannot be at that meeting, by all means, we could either accept their testimony earlier if they so choose or as indicated today Mr. Kouchi... if there is a conflict in schedule, by all means, I am going to accommodate that person, so that won't be a problem.

Ms. Yukimura: One other question?

Ms. Iseri-Carvalho: Yes?

Ms. Yukimura: So is there a possibility of another workshop beyond the 27th?

Ms. Iseri-Carvalho: Yes. Depending upon what kinds of amendments are proposed, I think the issues are rather complex and there is a whole variety of options that can be provided. It was great to hear from everyone because each one offered a different scenario that we may not have anticipated the whole gamut of what could occur. Granted, we did anticipate the complexity of it, but, clearly, there is a lot more that needs to be discussed. So the timetable was set simply because I think it is important to give as much notice as possible to the community as to what is going on. Depending upon what information, so we will have that information by the 16th. Before our next meeting, we will have a week or so for the Councilmembers to review those proposals to make their suggestions and depending upon how much of that will decide how much more time will be allocated to the other provisions.

Mr. Kouchi: And not so much a question, a comment, would be based on Ken's response to an earlier question that he had a number of amendments that he would already be offering to the bill. I really limited any meaningful discussion into the matter because I didn't want to start into something that he was going to have already changed because he saw the flaw or I didn't want to start lobbying something and then see his amendment took it out. So my statement to Ken and the rest of the Housing Agency is that I am certainly expecting in the deadline your comments to come in, so that hopefully, you know, we can start with your baseline as the beginning point for the discussion and would give the others who have attended, a chance to see. You know, their amendments mirrored some of the

things you've done or where have they not sinked in with the Housing Agency, so that they can prepare support testimony or documents that they think they may need to help justify that position.

Ms. Iseri-Carvalho: I would also like to note that March 26, the Monday before the 27th is a holiday. Make sure you are aware of that and plan accordingly. Councilmember Bynum?

Mr. Bynum: Thank you. I just wanted to thank Committee Chair Iseri-Carvalho for organizing the meeting and for subsequent meetings. What I... and everybody who came to testify today, I really appreciate it. I did hear consensus among everyone that a housing policy is needed, so that... even though it was a vastly different opinions about what it should constitute and that was agreement. Also, thanks to Diane Zachary and Ken Rainforth for being prepared today. Thank you very much.

Ms. Iseri-Carvalho: Thank you. Any other further comments or discussion?

Chair Asing: I have one. I guess for Ken and I think I discussed this with you Ken, but you know the development of five (5) or more units, I think I asked where did that come from, is that reasonable figure... I just have some problems with it, just the number is so small. For someone that is doing a six (6) lot subdivision to be strapped with, you know, all of these conditions when doing such a small number just bothers me. The number five (5) seems so small. As a matter of fact, I don't know what happened to Hawai'i County, but at one time, many years ago, their limit, I believe was either 15 or 20. I know, that is why I am saying, I don't know what happened, but it is just strange. But I can tell you for anyone doing a small development like a six (6) lot and eight (8) lot, it is absolutely nuts especially if that small subdivision is being developed by someone who has very, very limited finances and more targeted to family. It is... this will... it will stop the project, so you are not going to help somebody who is trying to do that. You are going to hurt that. Like the gentleman who was up here on what that person is trying to do, it may not work. To go through all of this, I don't think it is going to work. It is going to hurt that project in my opinion.

Ms. Iseri-Carvalho: When you are done Council Chair.

Chair Asing: I am done.

Ms. Iseri-Carvalho: Thank you. So there has been a lot of discussion. I think, Ken, you will be helping us by... where did Ken go? He just walked out. There is actually on the agenda... there is an amendment already to what the current law is on the buyback, changing that to a different term as well as spelling

out different conditions, so it is a work in progress. It is something that we anticipate to collaborate with everyone and come up with a solution, so we hope this kind of process work today, and that if there are any other concerns on improving the process, by all means, we are open to that as well. I would hope that maybe the next meeting will get more specificity. If it is possible to try to run some numbers to try to get some of the percentages. I think we are all struggling with how much that exact number should be, but if you would assist us in that regard and provide some financial justification for those changes, that would be very beneficial. Any other further comments? If not, the meeting is going to be scheduled at 9:00 a.m. on March 27. We will be anticipating some amendments by both the Housing Agency, Councilmembers, as well as anyone else who wants to provide input by March 16. That will give a week for the Councilmembers to address those amendments and have discussion. We will also have, again, another sign up speaker registration form for those wishing to speak. I would note that we will be having Mr. Crowell at 9:00 a.m., and subsequent to that, we will have other speakers. If the time conflicts with yours, please let us know and we will try to accommodate your schedule as well. If not... Yes?

UNKNOWN: (Inaudible).

Ms. Iseri-Carvalho: That would be what we would anticipate. It appears that there were a lot of complex issues that were raised just with Article 2 and 3, so the first half would definitely be set with that and I anticipate that we will just open it up for whoever is there, so we will get time to address those before we do another workshop. So anticipate that the next meeting workshop on the 27th will not be our last and that there will be another one that will happen subsequent to that. Alright, if not, thank you Diane for doing an excellent job. Thank you Ann for coming in doing the record keeping and all of you that participated. We really appreciate it.

The meeting was called back to order, and proceeded as follows:

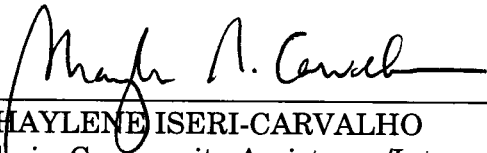
There being no further business, the meeting was adjourned at 2:37 p.m.

Respectfully submitted,



Lisa Ishibashi
Council Services Assistant

APPROVED at the Committee Meeting held on April 18, 2007:



A handwritten signature in black ink, appearing to read "Shaylene A. Carvalho", written over a horizontal line.

SHAYLENE ISERI-CARVALHO
Chair, Community Assistance/Intergovernmental Relations Committee

