

MINUTES

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

August 14, 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, August 14, 2007, at 9:16 a.m., after which the following members answered the call of the roll:

Honorable Shaylene Iseri-Carvalho
Honorable JoAnn A. Yukimura (present at 9:23 a.m.)
Honorable Tim Bynum
Honorable Ron Kouchi (present at 1:55 p.m.)
Honorable Mel Rapozo
Honorable Jay Furfaro (Ex-Officio Member)
Honorable Bill "Kaipo" Asing (Ex-Officio Member)

The Committee proceeded on its workshop as follows:

SHAYLENE ISERI-CARVALHO, COMMUNITY ASSISTANCE/IGR COMMITTEE CHAIR: Good morning, everyone. Thank you so much for your patience. The Special Community Assistance and Intergovernmental Relations Committee now calls its meeting to order. May the record reflect all members are present but for Councilmember JoAnn Yukimura and Ron Kouchi, who will be here at a later time. The agenda item is for workshop 4, which is to discuss the proposed housing policy for the County of Kaua'i as contained in Bill No. 2202.

At this time, what I would like to do is, Councilmember Furfaro has indicated that he has a short presentation before we begin the agenda item. We will begin with that, and then we'll continue on with the housing administrator that will also be given time to do a presentation. We will use the same format as we have done in the past, which is to...if...hopefully everyone will get a copy of the current bill amendments that had been proposed, which is actually the same ones that we had provided at the last workshop meeting. Different concepts will be introduced by the housing administrator that has changed from the last amendments that we had proposed at the workshop number 3. Like in the past, the format will be, what do you like about the proposal, what do you dislike, and what kinds of changes you would like to make. There will be no time limit on your discussion, and then the

Councilmembers will have the opportunity to engage in questioning at that point. So we'll begin at this time. Councilmember Furfaro?

JAY FURFARO: Thank you very much, Chairwoman Iseri-Carvalho for giving me this time. As you know, I am not part of your committee, but an ex-officio of the committee, and what I was hoping to present today, as I've been participating in the three previous workshops, is somewhat of a strategic overview, and there are black and white copies, I believe, if anybody in the crowd would like to follow the presentation. And it really deals with evaluating the current baseline and bringing some of the current conditions that exist within our county up-to-date for individuals, so that they can understand our situation better. The strategic overview has a couple steps to it. One is certainly gaining commitment on our current need and, you know, what might be fitting to address our desired results, but also, most of this presentation is focused on taking stock with the current trends—economic and social assessments that we have from both Ward Research and SMS, pretty much confirming each other's surveys and particular information, and hopefully some new strategies that we can develop to meet the objectives for the next three to five years. So if I could get... Mr. Rapozo, may I ask...indulge on you to maybe flip the lights, or... We will go from there, and I do not have an operator at my PowerPoint, nor do I have the electronic devices in front of me. So until such time we have a...someone, I can entertain you with my old Manuel Takabuchi Funn Ho... Oh, here we go. Thank you, sir. Thank you, Mr. Nakamura.

So the first slide I have is revisiting the expectations and the parameters that we have outlined and evaluating our situation analysis here. Survey results, as I've touched on from both Ward Research and SMS, suggest that a housing ordinance should be adopted and amended, as well as amendments to the CZO that might be required to accomplish this. To take that forward, a...we need to facilitate and develop a workforce housing inventory immediately, because the crisis is now. And besides having the general ordinance in place, we need a plan to develop incentive (Yes, I said incentives.) based on strategies to implement the policy. The current lack of inventory needs to be addressed in a manner that exactions from future zoning, quite frankly, are questionable, because we have a resolution in place that really does not permit at this time, or it makes a strong statement as to no new resort inventory. Recently in an article in *Hawai'i Business News*, I was very much focused on comments made from Kaulana Park that talk in terms of coming together with aloha to solve this particular crisis we have, and also, you know, State/County, the development communities, and our kama'aina residents need to be all part of threading the needle.

The next slide I have is to talk with you in terms of what our current approved zoning is, which is undeveloped and has density. And I want to bring you first...the attention to...I believe it's the sixth...seventh line there, as of 2002, what the total inventory on Kaua'i was for undeveloped density. And in 2002, that

inventory on single family units was 10,999, multi-family was 8,955, and hotel units were 3700. That is approximately 5 years ago. That is a number that I felt comfortable with presenting, because in 2002 I was a member of the planning commission, and this was part of my orientation at the time.

What has happened since then. We've had some density reduction by negotiation since 2002. The first number there in single family residence in 1992 units. The majority of that is zoning that we had gotten back from Kūkui'ūla. There is some other density both at Kaua'i Lagoons, as well as Princeville at Hanalei, and specifically where it has come from in multi-family and hotel units. The next line is what has happened in various construction stages since 2002, and the single family unit number has been reduced by 3128 units. This is, you know, trackable through the building permit recordkeeping that we have, as well as the reductions through permitting for multifamily, as well as hotel units. Some of the units in here include the rebuilding of the Po'ipū Beach Hotel and others. So the new totals are on the screen there in blue. And on the next line just below that is the numbers we recently saw from the Kaua'i Planning and Action Alliance, which report was reported by Diane Zachary. And if you could note my number in the area of single family units, 5,879 is higher than the number from the Kaua'i Planning Action Alliance, but I've done my best to identify CPR units and counted them as single family units. My number in multifamily is smaller than the one from the Kaua'i Planning Action Alliance, but in here 6,142 units, she mixes multifamily and hotel resort (RR density) altogether, where I have broken that out. So in the Kaua'i Planning and Action Alliance number, if I can bring your attention to the number 11,305 right in the middle there on the last line, that is the more conservative number from the Kaua'i Planning Action Alliance, and what I am suggesting from this slide that if we use the KPAA estimates of yet to be developed numbers and we calculate the potential of housing units from that at 25%, we could have a number of 2826 units that are...well, I guess you could say are expected to be developed with the target of affordability in mind. But as I go further into this presentation, because of the urgency, I am suggesting that if we build now, part of the solution might be to offer some incentives to build now within the next 48 months on those conditions that are placed, and that comes from our recent approach to the Kaua'i Lagoons. I thought it was excellent as presented that the housing conditions that were put there were asked to be built within 48 months. There was actually a timeline, and I think that came through very clear in the work that Councilwoman Iseri did, as well as Councilwoman Yukimura, that the issue now also is the timing of the commitment.

The next slide, I've extracted a lot of information from the 2006 numbers submitted from the State of Hawai'i employment records, and this slide basically talks about, you know, our workforce and who is earning what. For example, a combination of an elementary school teacher at 43,000 with some tenure and a fireman at 43,000 actually puts them in the 160% income bracket, which I've got

highlighted up in the corner there as at 87,000. But potentially, the way we have the bill right now, this group of workforce is actually excluded from the modified affordable housing policy, and I think that raises great concerns for me. This is a pretty accurate earnings report. I think you could combine any combination there for a family of 4 (husband, wife, 2 children), whether they were accountants, sheet metal workers, insurance claims agents, registered nurses, hotel dinner cooks, or even police officers. And you know what, Peter, we're not catching the rest of the positions on the bottom of that slide. Can we somehow make a screen adjustment there, or slide adjustment? But for the group that has the document in your hands, the last two positions there are housekeeper at 31,907 and a hotel dinner cook at 46,566, I believe. And I do want to say that those wages are based on all straight time, 2080 hour work year. They are also based on no calculation for earned overtime, but they do include negotiated payments for 8 to 10 holidays, depending on what their specific contracts or employment benefits are. I point this out because, you know, I'm taking the approach that affordability is defined not necessarily only by HUD, but if we said to our workforce that 30% of your income is...your gross income, is available for housing, then in fact you can see that potentially a lot of people are currently not going to qualify for any subsidies or assistance. But on the flipside, there is currently no inventory available at the ranges of 323,000 to 430,000. And I appreciate...I talked briefly with Councilwoman Iseri yesterday. I feel comfortable about this statistical information about earnings, but I did want to bring it to the attention of the work group here.

Ownership versus rent. You know, considering some of the current interest rates and where the stock market is going today, I think my 6.5 is probably shot out of the water today, but roughly, when we compare ownership versus renting and what people are saying in the survey, you know, there's 55% of those surveyed were hoping for home ownership, 67% were looking for rental units, but when you look at what they're hoping they could find in the inventory (And please understand, I'm not saying that we need to cater to the survey, but I think we need to understand what is being said.) that they are hoping there is actually house and lot rent-ability for them. And despite what SMS said, I was shocked to see in their survey that they said 38% of our workforce had \$60,000 for downpayments. It is quite contrary to what we heard in the Ward Research piece, and unless people are planning to cash-out their savings, cash-in their 401K, and borrow from mom and dad, there was a very staggering number that they said people had available for downpayments and almost 40% of those. So I think we might want to pursue something that talks in terms of in-lieu fee contributions to be directed to an assessment that helps with deposits and closing cost. So if you have a home that's at \$325,000 range, our cash in-lieu of fee should be in the range of 80 to \$100,000 to the county for the purpose of assistance in getting people into ownership versus, you know, an assessment that kind of implies that we would cash-out the developer in the purchase of the house. I think the idea is more along the line of making sure that through government programs, money is available for deposits and closing cost.

What is the timing of the demand? Between the two surveys, and this number here, the base at 3875, that was the Ward Research number, but this really displays the near term demand within the next 6 years for housing both in the market affordable and low income area. And I think this is a very interesting piece of information that we should take into consideration when trying to accelerate some inventory.

Where are we at as a county? We had identified approximately 650 units that we thought were in the pipeline right now. We're halfway through the year. We've only completed about 202 of those units. And I think we recently had a revelation that the transmission line from the Hanamā'ulu to the Līhu'e wastewater treatment plant was probably deficient that there needed to be a new evaluation of the transmission line through those areas zoned in the Hanamā'ulu Triangle, and hopefully we can get a better idea of, you know, that immediate crisis with infrastructure. Is it based on when both Ahukini and Hanamā'ulu come on board, or can we do one without the immediate upgrade, I think is worth getting some better information from our engineering and wastewater departments.

So the housing references, and some of these are assumptions that I made after reading the material and translating into my own interpretations, but 85% of those surveyed, and again, I'm not saying we need to cater to that need, but these are individuals wanting single home purchases and in fee. Forty-six percent would accept a condominium unit if a single family unit was not available in their price range. Thirty-eight percent said they could start with a one-bedroom unit, and I think that was just a reflection of how desperate the situation is. Forty-nine percent, though, did say they would want at least a two-bedroom unit. And ninety-three percent of the buyers said they would need two bathrooms or...I think this basically references a bath and a half when we talked about "or less." So this is good information.

Regarding the rentals, whether it's rental or options to lease to purchase, 67% of those in the survey were looking for a rental that was actually a single family home. About 26% preferred an apartment or a condo. The 2006 renters were more willing to accept smaller units than in the past, and when the past, I'm referencing the last SMS report that was received. Again, bathroom seemed to be an important item. Seventy-four percent said they could accept a one and a half baths.

The imbalance in supply and demand of affordable and workforce housing has created a dire situation for Kaua'i kama'āina. And again, I referenced earlier County/State, developers, and kama'āina. And when I...I'm talking in terms of kama'āina, I am talking about the fact that we certainly need to shield anything we build from the investment concept. The real need is to plan for/facilitate the

development of workforce housing, provide long term suitability for rentals, or provide one-time subsidy for the purchase downpayment assistance, and that is if there's inventory, of course, and that inventory is provided at the right price. Providing inventory in the 160 to 180 range, I certainly think would help offset any subsidy on the 80% and below range. We have to remember, developers pay interest on land and construction loans or inventory just like homeowners. I know in the policy that I've seen, there's this very long waiting period for a condition for the county to buy-out unsold inventory, and I would suggest through that commentary that we be sensitive to make a better understanding of what period of time fully constructed inventory actually remains vacant. You know, vacancies are hard cost to the developer. To make workforce housing development more attractive, projects should have to be built and sold in a timely and prudent manner. Requiring developers to hold unsold inventory is a barrier, I think, in producing inventory now.

The next piece, some of these credit strategies were things that I shared about three years ago in the workshop we had at Leadership Kaua'i regarding housing. In particular, this one talks about a credit system over a period of time where developer...a developer credit system to address the current needs, or in this parenthesis, crisis, for a specific period of time. Again, reminding everybody that our policy right now is we've sent, through a resolution, a strong message that says, you know, we are not considering new zoning at this time, that we need to deal with existing zoning first, we need to be successful to negotiate back density, and at the same time, keep a very delicate balance on how we are able to get inventory for the workforce. So perhaps a two credit system for developer units for households earning less than 80% of the median income, and that's basically saying to developers that if you assist us with the below affordable, we will consider larger credits for you. And based on the survey that we heard from the populace, when we target demand for two and three bedroom units, or two bedroom, two full bath units, we can consider those people want a yard and maybe we could look at a minimum of a zero-lot line and a 3500 square foot lot. This might require changes to the CZO, and etc., 1.5 credit for developers of units for households between 80 and a 100% of the median income, and really target the high demand range of two bedroom, two bath. Remember, 73% of the people that surveyed wanted more than one bedroom and one bath. And again, giving them more credits also talks in terms of having some kind of a yard or a 4,000 square foot lot. Again, things that would have to be modified in the CZO.

This is kind of a first blush schedule on proposed affordable housing schedule that gives credits. And the credit as I would define it if you had 100 units being built and the housing allocation was 30% for workforce and affordable, you would take that 30%, convert it into a point system, and you would use these points to justify the satisfaction, especially if it was for workforce 80% or below. And of course, as you go into the higher income brackets, you give them less credits. What

is reflected here is of the 2300 unit demand that we have, it's very important for everybody to understand, 1,200 in round numbers were the demand was driven by people who are earning 80% and below, and often, these are projects that are targeted through non-profit development housing groups, self-help like Habitat for this group, but also through co-op and State housing sources. But this would help, I think, at least consider bringing on some inventory.

I think another strategy – identifying appropriate sites. I would encourage the integration of affordable houses within a development, but certainly give the developer a credit of another 10% or so if he finds himself being able to merge a housing into his development. But in our particular situation, and this is Kaua'i specific, I think it would also be beneficial if we identified three to four sites islandwide where workforce housing is appropriate, where land can be readily developed, and resources can be efficiently pooled at an identified site. Whether that site is a 300-unit site in Līhu'e or 'Ele'ele or something in the Wailua-Kapa'a corridor, it is certainly one of those things that would make land readily available for development, and even smaller commercial/industrial type of development on the island can buy-in to that. I used some examples on the board there such as Ahukini, Wailua, Department of Hawaiian Homes...I know they had a presentation in the Wailua area last week, as well as sites in 'Ele'ele and Kīlauea.

You know, the rest of this presentation really deals with agency strategies and assistance on a mortgage rate buy-down, lease-purchase agreements, public and private housing ventures, rent subsidies, and I think between our own Ken Rainforth and so forth, I mean we have great expertise here in the audience that will probably give testimony along the lines of these strategies. This is also dealing with below market for-rent housing, making sure that the developers building this has a first priority. This is what we did in Kukui'ula, and you know, these rental projects generate a income source that could be used for improvement cost where we commit part of the rental income to floating infrastructure needs. Co-investment, co-op, I think that has great possibilities. I know we have the project in...across from Kintaro's, which has a 10-year buy-back. I think the county should be seriously talking about piggy-banking some money now, so in year 11, we can acquire that project. It's on the radar screen. It might be an ideal location for a co-op. And if I can get the lights on, that will be the end of my presentation this morning. And I do want to thank Councilwoman Iseri since I'm not part of her committee to let me share some of my thoughts. And again, just wanted to point out that the immediate crisis seems to be now, and we need to find a way, with no future zoning, how we can encourage some inventory now. So thank you very much, Councilwoman.

Ms. Iseri-Carvalho: Thank you, Councilmember Furfaro. I think because of the extensive presentation, what we would do right now is just have some questions on the study first before we got into the housing's presentation. So

what I'll do is if there's anyone from the public who had some concerns regarding...or questions regarding the presentation done by Councilmember Furfaro, you have an opportunity right now to...for us to address those questions. There appears to be no one from the audience, and so I'll this meeting back here for the Councilmembers. Any councilmembers that have questions of Councilmember Furfaro? Councilmember Yukimura.

JOANN A. YUKIMURA: Yes, thank you. On page 3, my question is the same one that I asked Diane Zachary. Do these units include ag...units on agricultural land?

Mr. Furfaro: I remember you raising that question, Councilwoman, and if you note on my second to the last slide...I mean my second to the last box, first row, my number of 589 does include approximately 788 CPR units, and I think that's one of the reasons my number is actually bigger than what was presented to us from Diane Zachary and her colleagues at Kaua'i Planning and Action Alliance. And I'm...I did put a little footnote over here that says the numbers are not audited, but I did want to point out that my number is a little bigger than Diane's overall...and I did break it down by RR categories for hotel zoning.

Ms. Yukimura: Thank you very much, and in fact I have a couple more questions, but I do want to thank you for putting this information together. I know it was quite a bit of work to do that, but it's very helpful. On page 7 where you talked about the affordable housing task force projects, the 650 is a number which we saw maybe about a year ago...

Mr. Furfaro: Yes.

Ms. Yukimura: ...as a projected potential near...

Mr. Furfaro: Near completion, yes.

Ms. Yukimura: Yes, and so the...so in one year we've gone to 202, but in fact, none of them have actually been built yet. I mean they're not being occupied, right?

Mr. Furfaro: Let's see here. I believe some of these have been identified, and no, I didn't go out to all of the particular sites. But if you note the Habitat for the Humanities line, the subdivision was approved for 125 units, there are 18 that came out of the permitting phase...

Ms. Yukimura: Right, I'm sorry I missed...

Mr. Furfaro: ...of which 6 are now completed. They actually awarded keys this past Saturday, so...and the other 12 are still in construction. So I would have to say I didn't go out to all of these sites, but this is the best information I could gather.

Ms. Yukimura: Actually, Kalepa phase 3, is that being occupied? That's occupied now.

(inaudible)

Ms. Yukimura: It's under construction. Okay. So we... Okay, so in a year's period...and the 650 was a...if it was a short term, that would mean like it would be built within 5 years?

Mr. Furfaro: I believe it was forecasted for a 3-year period by Mr. Carvalho. There were a couple small changes. For example, when you look at the Princeville employee housing-multifamily, I think in Mr. Carvalho's report he might have identified a hundred units, but when I actually reviewed the ordinance, it was a hundred units to be built, of which 75 were in the employee condition, and 25 were in the market. So again, I didn't put it on this page, but it was just kind of a quick look at where we stand inside of 8 months of this year versus what our target. But there is possible room for error there, and I would refer some of these questions actually to housing.

Ms. Iseri-Carvalho: I think that is a great question. I think I had asked this question of housing last week, you know, to do an update. Mr. Mackler? This is a list. If you could come forward, maybe you can help us, just so that we have some updated information. And I know we had discussed these projects just last week, and I have my sheet in my office, but you would have probably a better memory than I do. With respect to Kalepa Village phase 3, those 40 units are still under construction. The anticipated completion date for that is December?

GARY MACKLER, Housing Agency: Well, they're striving to complete building construction December of this year, although their construction contract goes through February of 2008.

Ms. Iseri-Carvalho: Okay, so we'll just put it as February 08, just to give it time just in case anything comes up. Kalepa Village phase 4...

Mr. Mackler: This phase is in design. We expect to have our preliminary plans and specifications in early September, and we expect this project to go out for construction bidding in the Fall.

Ms. Iseri-Carvalho: And then completion, approximate?

Mr. Mackler: Well, we're looking at a 10-month construction period, so we're looking at the Fall of 2008 for occupancy.

Ms. Iseri-Carvalho: Okay. Next one...

Mr. Mackler: Pa'anau Village. Actually, this is for phase 2 of Pa'anau Village. That site is approximately four and a half acres, which is part of a housing condition that A&B has to convey to the county. They're in the process of subdividing that parcel off for the county.

Ms. Iseri-Carvalho: Okay, so anticipated completion date? None at this point...

Mr. Mackler: I don't have one to give you at this time.

Ms. Iseri-Carvalho: Yeah, because it's kind of premature...

Mr. Furfaro: But it's definitely not year-end, as I put in my report.

Mr. Mackler: Definitely not. No, definitely not.

Ms. Iseri-Carvalho: Then the Puhī self-help housing, the 41 units?

Mr. Mackler: This project...in fact I just came from the planning commission this morning. They received their final subdivision approval today, and they expect residential home building to start...the first group of 14 families to start in approximately 60 days, with the second and third groups to follow.

Ms. Iseri-Carvalho: Okay, so those first 14 units, what is the anticipated completion date?

Mr. Mackler: Their program is a 10-month program typically, so I would say we're looking at...well, do the math on that, I'm not sure. That would be next year.

Ms. Iseri-Carvalho: About same, August, September of 08 then.

Mr. Mackler: And I understand they're going to stagger their groups 14, 14, and 13 families approximately 2 to 3 months apart, so...

Ms. Iseri-Carvalho: Yeah, so we'll just do 14 just to see what's coming up within the next year, I guess. Habitat for Humanity, the 'Ele'ele Iluna, I know 8

already...

Mr. Mackler: And Councilmember Furfaro gave a brief update. There was a dedication last week for the first 6 families. There are several more homes under construction now, and I believe it was stated that the 18 homes, they would try to complete by next Summer, and they also have...the Habitat has preliminary subdivision approval for the phase 2 of the subdivision. I don't know the timetable for development of that phase, but I know Kaua'i Habitat is working diligently to proceed with developing the second phase.

Ms. Iseri-Carvalho: Okay, and I believe this DR Horton Schuler, that's the Ho'okena, right?

Mr. Mackler: Yes. There was a...I guess a dedication of units several weeks ago, and families have been occupying those units. I don't think they've completed all the units; it didn't appear so with the dedication, but I saw Tracy walk in. She could perhaps give you an update on final completion of those units.

Mr. Rapozo: I have a question on that one.

Ms. Iseri-Carvalho: Sure.

Mr. Rapozo: How many people actually moved in, because I...the TV said 56 families moved in. I don't think that's true.

Mr. Mackler: No. I don't think all the units were even ready for occupancy on the date of dedication, but maybe Tracy could give us...

Mr. Rapozo: Okay. We can wait for her to come up later.

Ms. Iseri-Carvalho: Well actually...yeah, after this presentation we'll bring Tracy up for that project and status. I believe the newest project that was completed. Kaua'i Lagoons, I know it's zero.

Mr. Mackler: Yes, the...

Ms. Iseri-Carvalho: You can cross out 106, and I know their completion date is not going to be for another 2 years. They have 4 years to complete, and we're waiting for an update. They were supposed to do groundbreaking back in October.

Mr. Mackler: Correct.

Ms. Iseri-Carvalho: And they haven't.

Mr. Mackler: The most current information we have about that project is that they're going to do their groundbreaking in September, start the site work.

Ms. Iseri-Carvalho: Okay, but they do have 4 years go complete their project, and at this point, they haven't even done groundbreaking.

Mr. Mackler: Correct.

Ms. Iseri-Carvalho: Hanamā'ulu Triangle.

Mr. Mackler: I would have to again defer that one to Tracy, I think.

Ms. Iseri-Carvalho: Okay. And then Princeville.

Mr. Mackler: Actually, I think this is perhaps a typo. I think this is Kukui'ula, the 75 units of employee housing that they are under a housing condition to construct... Or maybe we need a clarification...

Mr. Rapozo: We need to add... I think we need to add Kukui'ula in this, but Princeville is one that's outstanding. And I think as Jay stated, 75 percent of their 100 unit requirement had to be within the income guidelines. So...

Mr. Mackler: Oh, okay. Then maybe this is an add then, for Kukui'ula...

Mr. Furfaro: Yeah, I...again, Councilwoman if I may, I'm delighted we're going through this exercise. I just gathered this from information that had been submitted to us, but the Princeville one is triggered by the next phase of the shopping center...

Mr. Mackler: Okay.

Mr. Furfaro: ...and so it's...the footnote I put over there is it's scheduled for a task force review as well. So the dates, the original dates, I didn't change. Those were dates that came from Mr. Carvalho in his report.

Ms. Iseri-Carvalho: And I think at this point nothing has been done in Princeville, so we'll just cross out those 75 units...I mean just to get an accurate picture of what we expect to come online within the next 2 years. I know the task force has been meeting at least...at least 2 year I've been attending those meetings. So... DHHL, the Kekaha project?

Mr. Mackler: I can tell you that they're in vertical construction on their single family homes. I don't know their timetable for completion, but I believe they will have homes completed this year.

Ms. Iseri-Carvalho: And we do have DHHL here, so we'll try to... I think it's best to try to get as much information as we can updated.

Mr. Mackler: Okay, and then just to point out that 20 of those 49 units I understand are self-help...will be built through the State Self-Help building process. So 29 are turnkey and 20 are self-help.

Ms. Iseri-Carvalho: KEO?

Mr. Mackler: KEO, these 8 units identified are rental units specifically targeted for homeless families. This is for transitional housing, which is to assist those families, get support and services that they need to move into permanent housing, and this will be part of the KEO emergency shelter project that is under construction and is scheduled to be completed by the end of this month.

Ms. Iseri-Carvalho: Alright, and Kukui'ula, you got information? I think we have a representative from Kukui'ula here.

Mr. Mackler: I'll defer to the representative that's here on that.

Ms. Iseri-Carvalho: Thank you, Gary. Any further questions of Gary?

Mr. Furfaro: Councilwoman, thank you for following that through. Again, the gist of my slide is I base this to say a year ago we were told that maybe 650 units were in the pipeline, and I guess the red number that I'm pointing there is, in the best scenario, we're only achieving a third of what we said. It clearly might be one of those things where we can revisit if there's a permitting process or expediting something of that nature, but maybe if I send you this slide, Gary, you can make some footnotes for me and...

Mr. Mackler: We'd be happy to update that for you.

Mr. Furfaro: ...we do need to get it updated...

Mr. Mackler: Sure.

Mr. Furfaro: But it is indicating that we're falling behind our projections.

Mr. Mackler: Yes. Sure.

Mr. Furfaro: Thank you. Thank you. No more questions, Councilwoman.

Ms. Iseri-Carvalho: Thank you. Tracy, if we could have your indulgence just to give a brief review on the Horton Schuler project, Ho'okena. Councilmember Rapozo had a question. Thank you.

Mr. Rapozo: Hi, Tracy.

Ms. Nagata: Good morning.

MEL RAPOZO: I just was confused when I saw the TV story about 56 families moving in. When I drove down there...I obviously couldn't make the ceremony, but it looked like many of those units were still in construction. So how many... First of all, how many units are there?

Ms. Nagata: At Ho'okena at Puhi, there's a total of 56 units.

Ms. Iseri-Carvalho: 56?

Ms. Nagata: 56, yes.

Ms. Iseri-Carvalho: Because we get 46 here.

Ms. Nagata: When we had the opening ceremony, that was the start of homeowners occupying, so we expect our homeowners to be fully occupied by September/October of this year.

Mr. Rapozo: How many right now have moved in?

Ms. Nagata: Oooh. I want to say...

Mr. Rapozo: Three?

Ms. Nagata: No, no, no, no, no. Maybe 16...maybe 2 buildings.

Mr. Rapozo: 16 families are in there already?

Ms. Nagata: Two buildings have moved in, approximately.

Ms. Iseri-Carvalho: Okay, and that was 56 will be completed by October 07?

Ms. Nagata: Yes.

Ms. Iseri-Carvalho: Any further questions of Ms. Nagata?

Mr. Rapozo: No, that's it. Thank you very much.

Ms. Iseri-Carvalho: Thank you, Tracy.

Ms. Nagata: Do you want me to make a clarification on Kohealoa, the Hanamā'ulu Triangle, as well?

Ms. Iseri-Carvalho: Yes.

Ms. Nagata: The triangle has 4 parcels, for a total of approximately now it's planned for 440 units, of which 40% of those will be sold at affordable, so about 178 units.

Ms. Iseri-Carvalho: 178, not 270?

Ms. Nagata: Total of 440, with 178 of those units sold at affordable.

Ms. Iseri-Carvalho: Maybe you don't have this chart, but we're showing 270 units on this chart, but it's actually 178...

Ms. Nagata: Total, yes. 178 total affordable.

Ms. Iseri-Carvalho: And this is townhouse, duplex, and single family.

Ms. Nagata: Correct.

Ms. Iseri-Carvalho: And that is scheduled, you think, for completion within the next 2 years, or after that?

Ms. Nagata: I'm hopeful that it will be. We've been in the planning phase, and we've been getting the necessary approvals in order. So we're hopeful that maybe sometime early to mid next year we'll start site work on our first parcel.

Ms. Iseri-Carvalho: Alright. Any further questions of Tracy? Thank you, Tracy. Is there somebody from DHHL that could give us some report on Kekaha? Thank you guys for all being here. This really helps us to update our information.

BEN HENDERSON: Good morning, Chair. Ben Henderson, I'm the deputy to the chairman at Hawaiian Homes. We do have a...20 units of self-help that are under construction. There are also 29 units of turnkey. I believe the turnkey units are nearing completion. Actually, our staff is getting the exact numbers for you now. Some of those units may have already been occupied. I also want to add, that's not on your list, we do have a 180 unit subdivision in Anahola. It's called Pi'ilani mai kekai. The site work is under construction as we speak. Site work is scheduled to be completed early next year, and house construction will start probably in the Spring on the first phase of those 180 lots, which is about 80 units.

Ms. Iseri-Carvalho: Eight zero?

Mr. Henderson: Yes.

Ms. Iseri-Carvalho: And those, you think, could be construction completed by?

Mr. Henderson: Construction will start probably in...I think March or April next year, and probably by the end of 08. And those are, just for the council's information, all of those units would be in the affordable category, or in the workforce affordable category.

Mr. Rapozo: That will be 140 and below, or...

Mr. Henderson: It would definitely be below 140 and below. Many of them will be below 80 and below.

Mr. Rapozo: Thank you.

Mr. Furfaro: Excuse me, Mr. Henderson. The name of that project is Pi'ilani Kekai?

Mr. Henderson: Pi'ilani Mai Kekai.

Ms. Iseri-Carvalho: Just going back to the Kekaha ...(inaudible, change side of tape)...all 49. I know 21 self-help and 29 turnkey. Those would be ready for occupancy...

Mr. Henderson: Probably by the end of this year.

Ms. Iseri-Carvalho: End of this year?

Mr. Henderson: Yes.

Ms. Iseri-Carvalho: Alright, thank you.

Mr. Henderson: Thank you.

Ms. Iseri-Carvalho: Kukui'ula? Is there are representative from Kukui'ula? If you can just give us a brief update? This was the 75 workforce.

TOM SHIGEMOTO: For the record, Tom Shigemoto, representing Kukui'ula. We just received our project development and Class IV zoning permits for the 75 employee housing units. I'm sure you're familiar with the site. We just got tentative subdivision approval, because we creating two separate parcels. And so we should be under construction by mid next year.

Ms. Iseri-Carvalho: And construction by next year?

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: And occupancy by?

Mr. Shigemoto: Occupancy about a year.

Ms. Iseri-Carvalho: Year later?

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: Okay. So 09.

Mr. Shigemoto: Mid 2009.

Ms. Iseri-Carvalho: Okay. Great. Thank you, Tom.

Mr. Shigemoto: You're welcome.

Ms. Iseri-Carvalho: Any questions for...

Mr. Furfaro: I believe at the Habitat dedication there was a gentleman...Thad, he's the project manager?

Mr. Shigemoto: Thad (inaudible) is the vice president of development and construction.

Mr. Furfaro: Okay, because I know he was attempting, Councilwoman, to meet with someone in housing about the accelerated permit

process. So...

Mr. Shigemoto: Yes. There will be a meeting with the task force to do that. Yes.

Mr. Furfaro: Okay. Thank you, Tom.

Mr. Shigemoto: You're welcome.

Ms. Iseri-Carvalho: Okay. Any other questions that anyone wants regarding Councilmember Furfaro... Councilmember Bynum.

TIM BYNUM: I want to thank Councilmember Furfaro for working on this, and he highlights several concerns that I share. One is that our current draft kind of...the current proposed one dropped out the 140 and above targeted rate for workforce development, and as Councilmember's statistics show and what we know is that there are a lot of people on Kaua'i in the 140 to 180 range that have these types of employment that are also seeking housing, and there's no inventory for. So I think we need to take a look at that rather than drop it out, and find a way. I also appreciate the sense of urgency that's in Councilmember Furfaro's presentation, because as he states, the crisis is now. And I also like the idea that what...you know, if you look at the main numbers here, what he's suggesting is that, you know, we have an unmet need regardless of what's in the pipeline...a large unmet need, and that we need to consider incentives for building quickly. And so I know he's trying to put numbers on that and saying, you know, if we built that 25%...if 25% of the units that are zoned were built affordable, and perhaps we would take a reduction even from that to create an incentive to have them be built in a timely manner, because, you know, we're in a...we're way behind the game right now. So if I got that correct, Councilmember Furfaro? I mean I think that sense of urgency is reflected in the work that you're doing here, and in recognition that we have to find a formula that actually results in units being built for workforce housing. Thank you for the work.

Ms. Iseri-Carvalho: Any further comments? What I would like to show at this point is that I did review the SMS study, and the SMS study contained a sample of 1,041 persons on their interview. And I just wanted to put up...the County Clerk is putting up...this was part of the SMS study that was presented to council, and as you can see, we did ask for the numbers that actually represented the percentages, but if we substitute, I guess the 1,041, maybe we'll come up with, you know, similar numbers. We're still waiting for the answers from SMS. But if we look at simply in percentages, and we look at the age...I mean not the age group, but the median group of 140 to 180, based upon, and this was Kaua'i numbers that were provided by SMS, it shows that the single family unit demand is basically 13% in that group 140 to 180, and yet the single family supply is 47%, and yet when we

Ms. Iseri-Carvalho: Well, I guess the numbers I would look at would be the survey. I mean that's the guys that we hire in order to do these, but they would probably be able to give us better numbers than we could get from anywhere else, I think, and more recent numbers. And in fact, we were waiting for the numbers to come in, because we actually had been working off of the 2003 numbers. So we'll see what the housing has, and we would note that in the prior discussions with respect to the percentages of how much housing we would address as far as affordability, there was a response from the development community that going up to 180 or having 40% affordable housing was something that they wanted to work with, and that's why the higher group were removed and it got reduced to actually 30. But by all means, the councilmembers can include that portion of 140 to 180 and increase back the affordability to provide for the developers to go from 30% which we had initially reduced, so the housing had reduced to 40%, and that might be something that councilmembers may be in favor—increasing the amount of affordable housing that needs to be provided by the developmental community based on we might be missing some of those people in the higher income brackets.

Ms. Yukimura: I think the other thing to think about is that those people who are forming the market for fee simple housing in the 140 to 180 bracket may certainly want to own fee simple housing, especially if it's market housing that they can turn into an investment over time. But they actually are able to rent homes. I mean they have places to stay, whereas in the lower group, the 100% of median income and lower, some of them don't...they can't find places...to rent or to buy, and they're the ones that are falling into the homeless arena. And so it seems to me that as a community, we need to really take care of the greatest need first, and then if we have additional...I mean people who either...and the other part is they're really crowded. You know, they're either...they're having a hard time finding shelter, adequate shelter. Whereas, those in the higher groups may want to...they may want to own, and that's a really noble desire. But they have the wherewithal to rent, and they have shelter, and so you know, the need that we have to address, which is a desperate need, and I sat and listened to those families at the hearing about the transitional shelter. They're working families, they have children in school who are trying to study in tents, you know, those are the...that's the greatest need, and they are also the greatest subsidy, they require the greatest subsidy. But if we can provide for those and...you know, to 120, 140, in a permanently affordable context, over time we will be able to conquer this housing problem, because there'll be just more and more people...more and more houses that will be in the affordable range. And then if they want to...and when they're paying only 30% of their income, some are very resourceful. They may be able to go into market housing on their own, and that will be wonderful. But we have to first look at what our basic goal is, is to provide adequate shelter at an affordable rate, that is where all our money and resources should focus first.

Ms. Iseri-Carvalho: Councilmember Furfaro?

Mr. Furfaro: Thank you. You know, I don't disagree with Councilwoman Yukimura's comments. I think that group below affordable...you know, and I've been close to that through the efforts with Habitat and so forth, but you know, from a standpoint of my presentation, I want to make sure that I did specifically use the word "I wasn't trying to cater to that item." But I'm also trying to say at the same time, we need to make sure that the development community at least provides, not a specific catering effort, but maybe a kind of a buffet of selections here. Because as people move out of rental, we have to remember also, it then creates other inventory and it would make...basically have some impact, I would hope, on the rental targets. But I really want to say that I understand the need, and this is where government needs to be, also, very committed to the 80% and below. But I want to make sure that I did selectively use "not catering to the survey," but at least identifying our workforce needs. So thank you again for letting me clarify that.

Ms. Iseri-Carvalho: Thank you. Councilmember Yukimura?

Ms. Yukimura: I do appreciate your comments, Councilmember Furfaro, and I think your concerns are very heartfelt. I did have a question about page 10, because you had a comment that the 140 to 180 would offset the below 80 range. I think those were your words. And I didn't quite understand what you meant by that.

Mr. Furfaro: On page 10?

Ms. Yukimura: It was when you were talking about page 10, and I can't tell you exactly where in your discussion on page 10.

Mr. Furfaro: Well, I guess what I was trying to express, that in the...in this imbalance of supply and demand for affordable housing, as we try to address a broader group, other inventory becomes available and that I would think in the development world, if there is ability to actually short term subsidize through assistance with deposit and so forth, that the long term debt service isn't an ongoing subsistence...subsidy for developers in certain housing markets, which might allow us to give more attention to the below 80%. But unless we have instant replay, I'm not sure what I said, you know. It's early, it's a long way from Hanalei, you know it was raining this morning, so I don't know how to answer your question.

Ms. Yukimura: Okay. I think you probably was along those lines. Okay, thank you.

Ms. Iseri-Carvalho: Councilmember Furfaro, I have a question on page 5, there's scenarios that appears 126,000, 247,000, and 342,000. Where were those

numbers taken from?

Mr. Furfaro: Those numbers came off of this sheet on page 4, roughly.

Ms. Iseri-Carvalho: So I'm trying to figure out... Okay, so what kind of unit would be a loan amount for 126,000?

Mr. Furfaro: I would think that if there was a one bedroom, one bath available, and the loan amount, which the 126 represents 80%, that if they were paying rent close to \$950, there might be an opportunity to rent for ownership at the same time for the same cost. And therefore, the families end up with the benefit of, you know, tax exemptions and things of that nature. That's all this sheet is really saying. The 240 category, same thing. If you're going to pay \$1700 for rent versus ownership, you'll find yourself having...building equity and, you know, some deduction on your filings of earnings. That's all this sheet was. It's just trying to compare, you know, if rents are that high, it would be almost more beneficial to own.

Ms. Iseri-Carvalho: Yeah. And I'm trying to match it up. For example, if we have a studio at 160, it would be 242,000. So I guess I'm trying to figure out where the correlation is. If we have a studio at 180, that would be 277,800. So there would be nothing less that could...you could afford for a hundred or...

Mr. Furfaro: Are you referencing sheet 4?

Ms. Iseri-Carvalho: Yeah.

Mr. Furfaro: Okay.

Ms. Iseri-Carvalho: So let's say the average family, you know, family of 4, three bedroom in a 160% income, it looks like that the price...the sales price would be 380,000. And so it appears...or even if you go at 180 income, 433,000, which would mean that it appears that their monthly payments would be like 3,000 plus, at least, right?

Mr. Furfaro: Well, what you have here...and you can get these mortgage schedules just by going and looking up mortgage rates on the web, but for example, let's go out to a \$380,000 home with a deposit of \$40,000 leaves a loan amount of \$342,000. At 30 years in a conventional mortgage, that monthly payment is \$2,164. I'm adding to it taxes and insurance, which is the \$193, so their price is 2,357. And on my larger presentation, which I don't have but I can get to you, it's about 37 pages, I have these calculations laid out. So again, the idea...and this is the piece that concerned me with the SMS report when they said 38% of our

population had \$60,000 for...I thought there's something absolutely wrong with that number.

Ms. Iseri-Carvalho: I think he mis-spoke, because I don't think there's even 80% of the population that has 40,000 in the bank just for a downpayment. I mean that just...

Mr. Furfaro: And it wasn't what he spoke...

Ms. Iseri-Carvalho: I know they're not friends of mine, because I don't have friends who have \$40,000.

Mr. Furfaro: It wasn't in his spoken word. It was actually in his presentation.

Ms. Iseri-Carvalho: Yeah, he...

Mr. Furfaro: And that's why I said, it might be cashing out their 401K, borrowing money from mom and dad, you know, not buying shoes for the year.

Ms. Iseri-Carvalho: Alright. Councilmember Yukimura?

Ms. Yukimura: I just wanted to go back to that ownership versus rent page.

Mr. Furfaro: Yes, ma'am.

Ms. Yukimura: And you're showing how advantageous...

Chair Asing: What page is that, JoAnn?

Ms. Iseri-Carvalho: Five. Page 5.

Ms. Yukimura: That with the tax deductions that ownership is really...could be more beneficial, right?

Mr. Furfaro: Yeah. It's one of those things. For example, Habitat for the Humanities, they have a 20-year buyback. Now granted, Habitat for the Humanities provides mortgages at zero interest, but for every year of ownership, you get 5% equity. So it is a very appropriate approach to point out that they can carry ownership for the price of rent or better. But in Habitat's case, there's no interest deduction, because it's a zero interest loan, but it is a 20-year buyback, and hopefully we can solve this problem in 20 years.

Ms. Yukimura: If you look at...well, we haven't solved it...

Mr. Furfaro: Haven't solved it in the 4 years I've been on the council.

Ms. Yukimura: ...in 50 years, and that's because the world is the market for Hawai'i real estate.

Mr. Furfaro: Again, another point I made out, and I say it again, in the very beginning, and I don't know the terminology, but I said if we could thread all the people, State, County, developers, and the term I used was kama'aina, you know, for the local people, that's the criteria, and yes, that would have to be developed into some buyback program. But the term I tried to use was kama'aina.

Ms. Yukimura: Well, putting that issue aside, though, I mean I appreciate that you've shown the ownership versus rent advantage, because it is something that also applies to limited equity cooperatives.

Mr. Furfaro: Yes, yes.

Ms. Yukimura: And that for, you know, what appears to be fairly low rents, but are actually co-op ownership, people can...

Mr. Furfaro: You take out equity at the end.

Ms. Yukimura: Well, and also the real property tax and the mortgage interest are deductible on your federal income taxes, and so you get that advantage as well.

Mr. Furfaro: Well again, I didn't think I could provide all of the answers. I just wanted to make a presentation here that showed, you know, we need to be thinking outside of the box on some of these things. One of the things about co-op ownership, as well as ownership, is the fact that there's lesser time where you're carrying the subsidy, because you now, people are now paying a larger portion of either their co-op ownership in a building, or the ownership of their home. But I wanted to thank the Councilwoman for giving me the time, and I hope we can just digest this.

Ms. Iseri-Carvalho: Thank you. Thank you very much, Councilmember Furfaro, and I appreciate it. I know you're not on the committee and took extensive efforts to provide information. What we will do at this time is we'll call up the housing administrator and he will be giving a presentation. Lisa, we've been going

how long? I mean I know we don't have a captioner, but I know you guys need a break. Okay. So we'll do the presentation and then take a break, hopefully, after that. Thank you, Ken.

KEN RAINFORTH, EXECUTIVE ON HOUSING: Good morning. First of all I'd like to report that I'm sorry, I intended to have a complete text of proposed amendments to Bill 2202 today, but...

Ms. Iseri-Carvalho: Try hold on, Ken. Can everyone hear? If you can speak up a little bit louder, Ken? They're having a difficult time with the air conditioner back there.

Mr. Rainforth: Is this on?

Ms. Iseri-Carvalho: Yes. It's on. Get it as close as you can.

Mr. Rainforth: First of all, I'd like to apologize for not having a complete set of amendments ready for the council. I did bring one copy of where we're at. I'd like to give that to Community Assistance Chair Shaylene Iseri-Carvalho, just to show you that we have been working diligently. What we do have is...and ready to present today is the concepts of what we've been working on.

Yesterday, Gary Mackler and Barbara Pendragon of our staff reviewed the text that I've been working on for two weeks, and generally said that the text was too long, it was ponderous, what I think is some reorganization and to redo some of the precise language that's included in the proposal. Do all of you have a copy of this handout? Okay. I'll be using this handout to explain the concept that we have for revising the residential housing requirements for the ordinance. First of all, I need to state that for the last several months, we've incorporated the ideas that we've heard expressed by many people. First of all, the development community and individuals who attended the prior workshops and expressed their views. We interviewed all 7 councilmembers, and we've had...looked at various submittals that have been presented to the county council regarding this bill. While we try to incorporate many of these ideas as possible, we cannot accommodate all of them, but we think that what we've come up with for a proposal is a very good way to address many of the concerns, and those concerns would be expressed where the previous bill needed to be more flexible, it needed to recognize the size of the development because a project with 10 units is different than a project with a hundred units, and we needed to have a viable in-lieu fee alternative. Previously, the way it was written was no developer would seriously consider using that as an alternative, and it was written to be that way. We didn't want to use it. But in retrospect, in looking at trying to make this policy work, we know that in-lieu fees has to be a viable alternative that can be available to developers in satisfying their workforce housing requirements.

Before I go on and move from the page of my notes that I have, Councilmember Furfaro is talking about that the gap group needs to have opportunities made available through this policy, and I think the gap group does have opportunities in two different ways. In our previous bill, we have a section called restricted sales period of restricted sales program, something like that, where we map out the process of how a developer sells the units. And of course, the first buyers get to...would be the people who were income qualified. But the next group of buyers would be people who were one income group higher, which could go into the gap group sales. And the third group after that would be Kaua'i residents of any income. So we're making units available to gap group, and this can be actually demonstrated, because we used a similar program with DR Horton when they developed the Ho'okena project, the 56 units in Puhi, and I think approximately half the units were sold to the intended income target group, and the second group were sold to Kaua'i residents who did not own...Kaua'i residents without regard to income. So we've seen that it can work. So one more program that the gap group could benefit from is for larger projects, we have in our proposed bill a provision that for a developer who is going to develop the majority of his market units that fit the gap group criteria that the county council could reduce the workforce housing requirement for that developer. So this may be another avenue where the gap group could be...could have more opportunities.

Ms. Iseri-Carvalho: Just one clarification. When you making reference to gap group, what percentage of median income you're referring to?

Mr. Rainforth: We're referring to households from 180% through... Through 140% through 180% of the Kaua'i median household income.

Ms. Iseri-Carvalho: And just clarification again. Ken, you said the first income was Kaua'i resident income qualified, then one income group higher, and then it goes...the third tier was Kaua'i resident with no income limit.

Mr. Rainforth: Without regard to income, but still without any other residence.

Ms. Iseri-Carvalho: Oh, no residence.

Mr. Rainforth: And then the fourth category went to any Kaua'i resident, whether they owned a home or not. But all of the buyers would have buyback restrictions, all would have the occupancy requirements.

Mr. Furfaro: And all would be first-time homeowner.

Ms. Iseri-Carvalho: No.

Mr. Rainforth: Not necessarily first-time homebuyers. All but the fourth group would not own real estate prior to purchasing a workforce unit, but they could have owned property previously.

Ms. Iseri-Carvalho: And then if you could repeat, on your larger projects how we address the 140 to 180.

Mr. Rainforth: Can I answer that a little bit later?

Ms. Iseri-Carvalho: Yes.

Mr. Rainforth: Okay. Let me move on. Here's what we've done. The first thing we did was to start with an initial workforce housing assessment of 40%. With this...this number could be 30%, it could be 50%, it could be whatever number that council decides, and when that number changes, the quantities of other categories would proportionately change. What I'm talking about right now is the...what we'll call the...the housing requirements table, this first page of the handout. This initial 40% requirement assumes that the workforce housing would be offsite and would be a multifamily unit under CPR. What we provide for now is incentives, where in our original bill there were penalties, but here we're providing incentives for the developer. If they...if the developer provides the workforce housing onsite, there's a 25% reduction in the amount of workforce housing they would have to produce. In addition, if the developer provides single family attached units, rather than multifamily units, there's a further 20% reduction, or if it's single family detached, a 30% reduction. We provided these incentives because this is the type of housing that we believe Kaua'i residents want. All the surveys show that single family is a dream. We know that they won't all be that, but we want to provide incentives to have as many of that type of unit as possible.

Mr. Furfaro: Ken, I'm pleased to see that some of this is a reflection of our discussion.

Mr. Rainforth: Thank you. Also, we need to consider project size. While each of the three project sizes we have all have the initial 40% requirement, they also all have the same incentives to do onsite and to do single family attached or detached units. The project sizes are broken down to...for a small project is 5 to 25 units, a mid-size project 26 to 75 units, and a larger project of 76 units or more. As the size of the project increases, the complexity of the requirements also become complex. What this means is that as the project increases in size, they have greater number of income groups that are targeted to be beneficiaries is there. From the very beginning with the housing advisory committee and providing all the drafts of the initial bill 2202, it was always the intent of the housing agency that this policy should specify that certain...that a certain amount of units should be

built for specific income groups. So we haven't deviated from that concept. As you can see on the first page of the handout where we have...let me back up.

On the second page of the handout there's a housing type schedule, or index. And the second page is something that's been discussed the last month or two about having some kind of a point system to recognize different sized units. What the housing policy first of all assumes and requires is that any workforce housing unit that is going to be produced is supposed to be the same size as the market units that are being built to receive one credit. If the developer chooses to change the type of unit, there will be a corresponding change in the amount of credit. For example, if a developer is building a 3-bedroom, 2-bath market unit, he's required to do a 3-bedroom, 2-bath workforce unit to receive one credit. On the other hand, if the developer's building that same 3-bedroom, 2-bath market unit but decides to build a 2-bedroom, 2-bath workforce unit, that would equal 0.95 credits; so less than one, because the unit's smaller. The schedule is really a mathematical matrix using estimated cost and comparing the differences between the costs of different units. This is a very similar schedule that we had when we prepared our housing...affordable housing guidelines in 1995. What we see...I see as a difference is the range of change is not as great now as it was 12 years ago, and I credit that to the increasing cost of units between now and before. If necessary, we also have a lot size credit schedule, and the schedule's intended to compensate developers for different sized units, and then the next page...

Mr. Furfaro: Excuse me. May I ask a question on the last slide?

Ms. Iseri-Carvalho: Yes.

Mr. Furfaro: Ken, do we currently allow like zero lot lines? I'm not sure.

Mr. Rainforth: Yes, we do.

Mr. Furfaro: We do. Thank you.

Mr. Rainforth: And there's also an in-lieu fee option. The original formula just wouldn't work, but the new formula tries to estimate what the subsidy would be for different income groups. As far as paying an assessment, we don't look at the 40% offsite requirement. We look at the 30% onsite requirement that a developer would use in doing his calculations. We want to note that the numbers are time sensitive. This was prepared estimating that these should be the numbers as of January of this year, and there's a provision that these should be changed annually per the consumer price index for Honolulu.

Other things that we've done. We're proposing that there should be a credit

given for building green. We know that we need to address this, and if we can provide the developer credits to compensate for the extra cost, plus to recognize the benefit to the occupant of units which incorporate sustainable building materials, energy efficient design and energy efficient appliances, especially solar systems, we want to be able to provide credits to the developer to encourage these building green ideas. There's also the bonus density we talked about before. This density would only be available for developers who develop onsite. It would provide for a 10% increase in the residential density, and it would provide a 10% reduction in allowable lot size if the developer so desired to use that provision. I see here in my notes...my notes about the modification for gap group housing that I mentioned earlier. Where this would be applicable would be where the workforce housing was provided onsite. It would require that a majority of the market units be in the gap group of 140 to 180% of Kaua'i median household income, and that there should be a 10-year shared appreciation placed on these gap group units to deter speculation. Some more. I'll just talk about the different project sizes. The projects which have 5 to 25 units, developer would satisfy this requirement by selling the correct number of units, whether onsite or offsite, single family, multifamily, to households who earn 100% of the Kaua'i median household income. There would be a residual fraction remaining, because you can't build a fraction of a house. So we're saying you would round the requirement down to the nearest whole number, and that the developer would then pay the fractional number according to the in-lieu fee schedule, or the small developer could pay his in-lieu fee, or the developer could provide land in-lieu. And land in-lieu is calculated utilizing the value of the land and what the in-lieu fee value would be.

The smaller projects also include some exemptions. There's one for an immediate family member where there will be a 10-year shared appreciation to prevent speculation, and there's another provision where a developer could reserve sales to buyers of his choice, as long as they were qualified buyers, and with this there would be a 20-year buyback, which is the standard buyback that we're proposing for all the workforce units. For projects...the middle-sized projects of 26 to 75 units, there will be sales to the 4 income groups, and you should probably go back to the first page of the handout to see what I'm talking about. As you can see up up on top, the smaller project, there's just simply sales to households earning 100% of median income. When we move up to the mid-sized project, the sales would be split into addressing specific income groups of 80%, 100%, 120, and 140% of the Kaua'i median household income. With the percentage requirements for each group based on the housing studies that we've had done recently. The mid-sized developer could also pay his in-lieu fee, could provide land in-lieu, and that's it. With the larger developer, we have the...I guess the hot topic...we have the land dedication requirement. The land dedication is not present in the smaller projects. With the land dedication, we also look at that there should adjustments for onsite/offsite for its density potential. So for an offsite land donation, a developer would be required to provide a 15% of the...or equivalent to 15% of the total project's units. Whereas,

if a developer provided land onsite, but was large enough for single family detached lots, the land dedication requirement goes all the way down to 7.5 percent. There's a provision that offsite preference by council...if the council understands that the intended beneficiaries prefer an offsite location, or if a developer provides a survey showing that the intended target group prefers a ...(inaudible, change tape)... pooling land dedication requirements from one or...from two or more developers, the council has the option to provide the onsite percentages for an offsite location. Infrastructure is required, and there's a turnkey alternative. Some developers would prefer to build units themselves, but since this is a...would be on land that the develop would be dedicating to the county, what the county would do is have an agreement with the developer who would build the units, and when the units are complete, for the county to purchase the units. That would be less the land costs, which is supposed to be dedicated. This alternative could also work when instead of having just a segregated site where the units were being built, it could be integrated throughout the project.

I didn't mention that the land dedication portion of the workforce housing requirement is intended to satisfy households whose incomes are below 80% of the median income.

The second part of the requirement for larger developers would be to sell workforce housing to the four income groups mentioned before, and they also have the in-lieu fee or the land in-lieu fee options.

Some final I think is important to note. We've decided that we will delete the commercial/industrial requirements from the ordinance, but these may come back at a later date as an impact fee, which would be supported by a nexus study. The resort requirement remains, but there's language such that workforce housing would be required when a project needed units for employees who would need to be imported to man the project and they did not have units available. When discussing this with my staff yesterday, there was some confusion on how does all this work, and there's two examples. Gary Mackler wanted me to provide an example for each of the three different sized projects, but I didn't have time.

This one example is of a mid-sized project, and there's two versions of it. Example one. You have a 50-unit single family detached project on 10,000 square foot lots. They're all 3-bedroom, 2-bath homes. Under the first example, the calculations would be...if you look, since the...the workforce units would be onsite and they would be same as the market units. So the requirement changes are reduced from 40% to 20%. So the 20% times 50 units would be a requirement for 10 workforce units. The distribution of the workforce units is in the following chart. So 5 units would be available for sales to people earning 80%, 3 units for sale to people earning 100%, and one unit each for households earning 120 and 140% of the median income, for a total of 10 units, and these would be the same 3-bedroom, 2-

bath single family homes on 10,000 square foot lots. Doing this, the developer would receive a density bonus, which would allow them to build 5 more units, which would be most likely the market units. They also have the option to build smaller lots if they so desired. The bottom chart shows what the in-lieu fee would be, which when you turn the page for the second example, the in-lieu fee is the same; it doesn't change. What does change is if the developer changes the type of unit that he's going to provide instead of the same unit.

So in example two, we've got the same 50 single-family detached units on 10,000 square foot lots; all 3-bedroom, 2-bath homes. But for the workforce units, now they're going to be offsite, they'll be single-family attached on 5,000 square foot lots, and they'll all be 2-bedroom, 1-1/2 bath duplex units. So if you look at your chart, you'll see that when you do offsite single family attached, it's a 32% requirement. So 32% times the 50 units gives you 16 workforce units need to be provided to satisfy this. You also need to take a look at the building type. The building type changes; he went from a 3-bedroom, 2-bath to a 2-bedroom, bath and a half unit, and that changed...that's a 0.92 credit. The lot size also changed, so that became a 0.88 credit...or the total adjustments is .81. So when you employ those credits into the calculation in the chart, you'll see how the...how many units of each income group need to be provided. We round it up to 20, so there's 10 units for households at 80, and 10 units for households 100 to 140% of the median income. Any questions? We have lots more details if you want to hear them, but I think we can be moving on to other speakers after you ask me questions.

Ms. Iseri-Carvalho: Why don't we...this is a good time to break for staff, and so we'll return at five after 11. Thank you.

There being no objections, the Committee recessed at 10:56 a.m..

The meeting was called back to order at 11:08 a.m., and proceeded as follows:

Ms. Iseri-Carvalho: Any questions for Mr. Rainforth from the Councilmembers?

Mr. Rapozo: I have some questions, Councilmember Iseri-Carvalho.

Ms. Iseri-Carvalho: Councilmember Rapozo?

Mr. Rapozo: Ken, thank you for your charts. I guess it'll take me a while to digest them, but I have a question. My question is, did we or do we have an analysis of our current...you know all of our projects out there today that we have put in some requirements, whether it was 20%, 60%, and have we ever analyzed those projects to see in effect what income groups actually ended up with

those units? I mean have we ever...has anybody...in other words, a home that was offered to the 100% median income earner, did that home actually get sold to a 100% income earner? Because we're spending an awful lot of time trying to figure out how we going issue out these percentages, but I'm just curious because of obviously...I know we spoke the other day, and I mentioned that I know for a fact some of the homes that are being sold today are being sold at a higher level, and our policy, even our draft policy, allows that where you could have...in essence you could have an 80% home sold to someone in the open market. Have we ever looked at the success of our existing affordable housing required projects?

Mr. Rainforth: We really haven't done an analysis, but what I can say is that for all the past projects, with a couple of exceptions which I'll talk about in a minute, all units were sold to the intended target groups.

Ms. Iseri-Carvalho: I'm sorry. You said with the exception of...?

Mr. Rainforth: I haven't mentioned the exceptions yet. I think I'm off. The income groups that were targeted previously were always groups that was...you had to address the 80 to 120%, or the 80 to...or 120 to 140% of the median income; they were groups. So in all the projects in the past, the units were sold to those groups in all cases on Kaua'i, with the exception of a couple projects in Puhi developed on behalf of Grove Farm and developed by Schuler Homes-DR Horton. The first one would be the Halelani Village project, which consists of approximately 300 apartment units, mostly 2-bedrooms, but a few ones and a few threes. The original intent was to build 500 apartment units. We told Mr. Schuler that this is way too many condominium apartments for Kaua'i, which had yet to have its first affordable project which was a condominium, and sure enough, only about 50 of the units were sold to income-qualified purchasers. All of the rest, 250 units that were built, went to...this was after having a lottery and trying to qualify purchasers for all the three phases or four phases that we headed to get. The other 250 units went at the same sales price, but to any buyer and without any resale restrictions. The next project was also in Puhi. It was a revised product of the Halelani Village and was called Hale Malu where Schuler Homes built duplexes and sold them. This project was kind of in the midst of our recession. We went through the marketing for income eligible buyers in two different phases, and we had a few buyers ready to buy, but when the units were finished and closing happened, not a single person who was income qualified was ready to purchase, so all 60 units of that project were sold at affordable prices, but to individuals without any income restriction, occupancy requirements, or buybacks. One more. And now the last project that Schuler's building, or DR Horton's building, Hookena, 56 units where, I believe around 50% of the units are being sold now as we speak to income-qualified buyers, and approximately the other half are being sold to Kaua'i residents. In this particular restricted sales period, for the first buyer, there's a 10-year buyback, the income-qualified ones. When units were left unsold after that, the units were

available to Kaua'i residents regardless of income, and regardless of whether they owned any other real property, but there is a 6-year buyback and which requires occupancy. So hopefully all 56 units will be occupied by Kaua'i residents with some kind of a restriction. I've been meaning to contact the DR Horton sales staff to inquire whether or not they wanted to move on to market sales, because as far as the timing goes, they had every right to do so after we send a couple letters back and forth to each other.

Mr. Rapozo: When you mention income-qualified, at what levels? You talked about the 56 and prior to that the 60 units. At what income level?

Mr. Rainforth: Okay. Different projects have different levels. Let's just work backwards. The Hookena project, as you may recall, the Bob Brewell(sp?) from DR Horton came and spoke to us, and we agreed that the...all of the units in Hookena could be sold at the upper level of 140% of the median income. So no range at all. It was just prices were plugged at 140%. The project before that, Hale Malu, I believe had two income groups to satisfy—that was the 80 to 120, and 120 to 140. But as I said, none of those units sold to those groups. And then for the...

Mr. Rapozo: Where did they sell? You said none of the homes sold at the...at those two groups, 80 to 120...

Mr. Rainforth: They sold market.

Mr. Rapozo: At market, right? That's my point. Okay.

Ms. Yukimura: They sold to incomes above those groups.

Mr. Rainforth: Yeah, to anyone, regardless of...

Mr. Rapozo: No, anybody. There was no restriction.

Ms. Iseri-Carvalho: Yeah, there was no restriction, but it was sold at affordable prices to those that were not in affordable median range.

Mr. Rapozo: I don't know if that's the case.

Ms. Iseri-Carvalho: That is. That's what he just said.

Mr. Rapozo: Is that what you just said?

Mr. Rainforth: They were sold at affordable prices, but...

Mr. Rapozo: Affordable at what range? That's my point. Affordable at what range? What were those homes sold for? Because I know affordable to many is not affordable to me.

Mr. Rainforth: Oh, I'm sorry. They were priced to be affordable for the two income groups, the 80 to 120 and the 120-140, and the sales prices were set long before any sales program started, and the sales prices stayed the same.

Mr. Rapozo: Okay, and help me, because I don't... So the units that were priced at 80 to 120 you said were sold...they were priced at 80 to 120% of the median and sold at that level?

Ms. Iseri-Carvalho: No.

Mr. Rainforth: No. They were sold to anyone...

Mr. Rapozo: I apologize. I'm asking because I don't know. If I knew, I wouldn't ask. So I apologize if I didn't get it as quick as the rest of us, but...

Ms. Yukimura: He's asking for the housing prices that would have been available... What is the affordable price for a 80 to a...at that time, correct. And when was that?

Mr. Rapozo: I just want to know, for those units that were priced or the requirement was 80 to 120%, what was the sales price. That's all I want to know.

Mr. Rainforth: I don't remember. It's a long time ago.

Mr. Rapozo: Okay, but was it...

Mr. Rainforth: It was priced to be affordable for households earning between 80 and 120% of the median income. That sales price stayed the same regardless of whoever was the buyer.

Mr. Rapozo: Right, so it...

Ms. Yukimura: And the sales price is...

Mr. Rapozo: I'll take a break. I was asking Ken the question.

Ms. Yukimura: I'm sorry.

Mr. Furfaro: I guess he's on a break. Ken, can I go back to another question, if I can, Councilwoman Iseri?

Ms. Iseri-Carvalho: Hold on. Ken, if you just use the 2000... Do you have the 2007 schedule? You don't? I know you have a whole stack of things there.

Mr. Rainforth: I got way too much paper here.

Ms. Iseri-Carvalho: Okay. Well, I guess we'll defer that question until Councilmember Rapozo returns. Councilmember Furfaro?

Mr. Furfaro: Thank you. And I actually wanted to go back to this in-lieu fee, if I could, Councilwoman? I'm sorry I was late coming back here. So Ken, you're re-thinking of this in-lieu of fee, if I'm following this...I just want to make sure I understand the housing policy for the County of Kaua'i in-lieu fee options. If I take our current schedule here at 140% for a household, you're saying that the single family at 140%, the single family in-lieu fee will be 69,100? Am I reading that right?

Ms. Iseri-Carvalho: Councilmember Furfaro, what page you're referring to?

Mr. Furfaro: I'm on Ken's report, that page is the in-lieu...

Mr. Rainforth: Okay, I have the in-lieu fee page, but I don't have the sales price schedule.

Mr. Furfaro: I'll just talk about those two areas that are highlighted in the 140% category, and so on the single family subsidy, you're saying on a single family unit that would be built in the 140% category, the contribution, the in-lieu fee, would be 69,100, Ken?

Mr. Rainforth: Correct.

Mr. Furfaro: So is that...am I... Because in my presentation, I suggested using...consider a 25% of the purchase price as the in-lieu fee. That 69%, although it only represents 5% of what they could do for the affordable, your number is around 20%...is that how you using that calculation?

Mr. Rainforth: No, I took the numbers on this chart and then I calculated what the actual development cost should be to get to the \$69,100 over here for a single family, and the same then for a multi-family unit, and then I average the two...

Mr. Furfaro: Then you average it to get to the 41.

Mr. Rainforth: Right.

Mr. Furfaro: Okay. And I guess the way I'm reading this, the in-lieu incentive is really for markets of 120 to 140%. The way you're got it structured, we're really looking for people to fulfill actual building of affordable units for the lower categories, and because the in-lieu fee gets higher as you go the deeper needs.

Mr. Rainforth: In theory, it would be the same for the developer, but in reality, you're right.

Mr. Furfaro: Okay, thank you, Ken. Thank you, Councilwoman.

Ms. Iseri-Carvalho: Thank you. Councilmember Yukimura?

Ms. Yukimura: In calculating the in-lieu fees, did you include offsite construction costs?

Mr. Rainforth: No.

Ms. Yukimura: So...I mean the value of say getting land that's within a development is that, you know, the offsite construction will be there...exists. Whereas if you...if we need to actually create from scratch a unit somewhere else, the cost is actually far greater. Isn't it?

Mr. Rainforth: That's true, but I'm preparing the charts and all of the calculations here, we tried to focus on having one set of numbers with not that many variables, listening to many of the people in this room what the real costs are, and incorporating that information in making our calculations.

Ms. Yukimura: Yeah, I mean I don't mean to imply at all that this isn't a good chart. I mean I'm recalling that when the Kaua'i Lagoons project first came up, the in-lieu proposed fee was 25,000 per unit, and this is a much more realistic chart, you know, and let me say also that in general, this whole proposal is extremely creative and very thoughtful. I mean I think you've done a great job. I mean we may want to move things around, but the framework that you've given us is really a very...a very thoughtful and creative framework. So, you know, I commend you for that. But I just wanted to be clear that, you know, I mean that is the problem when we go offsite is that...to build houses that is offsite from a proposed development area is that we have all the offsite infrastructure to have to figure out.

Mr. Rainforth: Well, our proposal says that the infrastructure needs to be provided. So if the developer purchases a site offsite that doesn't have the infrastructure, we'll accept it when it is available...or, we can negotiate for a great dedication...greater area of dedication, because if the county is responsible for providing the infrastructure to the site, that's an additional cost that we wouldn't otherwise have encountered.

Ms. Yukimura: Let me get this straight. You're saying that if the developer exercises the offsite option, then they have to provide the offsite infrastructure.

Mr. Rainforth: Well, the county council would be the one to accept the site or not. But requirements for acceptance would be that there needs to be adequate source, and there also needs to be adequate service to the site...not only adequate source, but...transmission and everything.

Mr. Furfaro: May I ask for some clarification, Councilwoman, on a comment Ken just made? It's along Councilwoman Yukimura's question, though.

Ms. Iseri-Carvalho: Alright.

Mr. Furfaro: Ken, you just said the improvements to the site, what are we actually saying when we say the infrastructure improvements. So let's say it's a lot with 25 units on it. Are we saying that the sewer laterals and the water should be to each of the 25 sites, or the infrastructure only goes to the lot. Give me a better definition of that, because I just heard you...to the site, and I don't quite...

Mr. Rainforth: To the boundary of the site.

Mr. Furfaro: To the boundary of the site.

Mr. Rainforth: No interior infrastructure.

Mr. Furfaro: No interior infrastructure. So if they're committing a lot to us that the sewer lateral and the water source needs to be to the boundary of the lot.

Mr. Rainforth: Or real nearby.

Mr. Furfaro: Yeah, okay. But that's what we're saying when we say infrastructure. It's not the interior network of sewer and water.

Mr. Rainforth: Correct.

Mr. Furfaro: Thank you.

Ms. Iseri-Carvalho: You can continue, Councilmember Yukimura.

Ms. Yukimura: Okay, thank you. So are you planning to give the council some guidelines on whether to accept or not? Or that's already inherent in the ordinance that the site would have to have this offsite infrastructure? I mean I'm confident this council wouldn't do it, but I'm just thinking some councils might...and it has happened in the past, accept land that's not really good for development of affordable housing. I mean we have accepted houses that weren't good for affor...I mean the council hasn't, but there's been a proposal, you know.

Mr. Rainforth: What's currently in our draft, there's two sections. One of them is infrastructure adequacy. The county council has the option to accept land dedication where there's inadequate infrastructure available, provided that a larger parcel of land is dedicated and otherwise required, and provided that adequate infrastructure is anticipated within 10 years of the date of the council's approval to accept such land dedication. Then there's land availability. The county council shall not accept land dedication that does not have infrastructure necessary for residential development available adjacent to the site.

Ms. Yukimura: Okay. Thank you for that clarification.

Ms. Iseri-Carvalho: Anything else? Councilmember Bynum?

Mr. Bynum: I want to make couple observations to see if they're correct, and then lead to a question. The...I thought Councilmember Rapozo had a excellent question that pointed up that previous affordable housing projects haven't always gone to the intended recipients. And I also accept and ameliorate some of my concern the answer that you gave about the gap housing with the proposal that you have that if people in the income levels that they were intended, you know, don't...aren't identified in a certain time period that there's then an adjacent time period that people in the next higher income level could be accommodated. And so I hear what you told us about these three projects where many of the units didn't go to the intended recipients, and so I want to ask this question. What are the lessons learned from that, and how does this current proposal try to address those concerns going forward?

Mr. Rainforth: We've revised our restricted sales period—it's longer, it's got more parts to it to try and give every resident on Kaua'i an opportunity. The restrictions are, at least timewise, placed on it where we think it should be workable with the developer. There needs to be a few more modifications to what we've written previously to accommodate the developer's need to obtain

financing by being able to know that they have a potential buyers long before they commit to building anything. I think that's...

Ms. Iseri-Carvalho: Hold on. Ken, the...I guess you were making reference to that extensive section about the homebuyer education to assure, because most of the times in the past they did not...they weren't buyer ready, and that's why we have this list that, you know, people will come up and... I don't know if you're inclined to go there, but I wanted to raise that as another avenue of trying to address this issue that was raised by Councilmember Rapozo.

Mr. Rainforth: Yes. We are...I say diligently, trying to prepare Kaua'i residents who are interested in purchasing a home with the ability to do so. Years ago, almost 10 years ago, the housing agency did its own homebuyer education. We found it very successful. The mayor and the county council has approved funds to enable us to hire private non-profit organizations to provide homeownership education here. The mayor has gone out in the community to have homebuyer fairs to try and get people to understand that they need to have some education, and all these are part of trying to have a more ready populace ready to purchase units when their opportunity comes. In addition to that, we're developing or implementing a...our homebuyer list where we will place a resident's name on a list whenever they complete their approved homebuyer education classes, and they'll get a number, and the policy is saying that any mortgage-ready buyer on this list gets first opportunity to purchase. What we do is first of all, anybody who completes the classes can go on this list, but that doesn't mean that they're necessarily mortgage ready. So our office goes one step further in doing a...some underwriting to determine which people on the list are mortgage ready, and those mortgage ready people on the list would be the ones who would need to be offered units first. It's the option of the person on the list to pick or choose which projects they want to buy in. They don't lose their number. They don't have one or two chances. They keep their number until they purchase a home, move away, or they die. It's kind of like the DHHL list where you have a list of beneficiaries who you are trying to address over time.

Mr. Bynum: I'd like to...you know, I think that's a...the next point I want to make. It really puts the burden on us to make sure...or to do everything we can what you're doing, and I appreciate and I applaud to have buyers ready. And so the...also, I think the timing of when the units come on market, I think on one of these examples, there was just like a whole lot of units that may not have been...that came onto the market in a short period of time that may not have been...met that current need at that time. Am I correct?

Mr. Rainforth: Timing is very important. We're just coming out of a very hot real estate market, and we know that when the market is not hot and is in fact very cool, residents who qualify often aren't interested; they're fearful of

whether or not they're going to keep their jobs and would be able to keep a mortgage. So timing...that kind of timing is important; also the timing of having units come online is also important. So...the worst thing to have is a lot of units come online and the economy's going flat.

Mr. Bynum: So we're doing...we're trying to get...identify those individuals, give them the education they need to be mortgage ready. In the proposal, we have the mark...the units are available initially for the intended income level, then what is the steps here? Is it three step that your thing goes, then to a period of time that it's available to the next income level person, and then where does it go?

Mr. Rainforth: Okay. The first step is to the income...the specific income targeted group, the next time period, these are 90-day time periods, would be to income qualified individuals in the next higher income group, the third restricted sales group would be any Kaua'i resident regardless of income, but who does not own any other real estate, and then the fourth group would be any Kaua'i resident regardless of whether they own property or not (all these would have buyback restrictions, occupancy requirements) and after all that was done, then they're market sales.

Mr. Bynum: So in that third group, any income level, but it would have to be people intend to occupy...

Mr. Rainforth: They all have occupancy requirements.

Mr. Bynum: So it's not like someone who already owned their home and can do this for investment, because of the buyback and the occupancy.

Mr. Rainforth: They could, but they got to live in the affordable unit.

Mr. Bynum: Right. Okay. Thank you very much.

Ms. Iseri-Carvalho: Council Chair?

Chair Asing: Ken, I think one of the reasons that you did not give that I think should have been included was the type of structure. I mean there's no question in my mind that there was nobody interested at that period of time in that income bracket, I believe, that was interested in the multifamily units.

Ms. Iseri-Carvalho: Council Chair, you're referring to the Hale Malu project?

Chair Asing: Hale Malu and Halelani. Right, Ken?

Mr. Rainforth: That's correct.

Chair Asing: I think that's important that that's one of the things that you need to identify. In fact, we had a...quite a bit of debate on the council level while that project was going on, on whether that type of structure should be the type that should be built there.

Mr. Rainforth: And since we know what's happened in the past, and since we know what the...all the surveys say the residents want single family, we feel that it's important to have in this housing policy incentives to encourage developers to build single family...even if it...even at the expense of having fewer units.

Chair Asing: Thank you.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: Just so I can understand those three projects better. That Halelani Village, didn't that come about the time of the hurricane?

Mr. Rainforth: It started before hurricane, and then completed after the hurricane.

Ms. Yukimura: So the market...the units came...became available when there was almost no market even in the market.

Mr. Rainforth: Well, actually, the first phase was a little over a hundred units, and half of those sold to the intended target group.

Ms. Yukimura: That was before or after the hurricane?

Mr. Rainforth: After the hurricane. It was the next two phases that had almost nobody or no one who eventually purchased who was income qualified.

Ms. Yukimura: You know, right after the hurricane you have a flurry of both construction and economic activity, and then which is with all the rebuilding and everything, and then...you know, because you have no visitors and visitor...vacation rentals turn into long term rentals, you do have a flood of affordable housing. So it was in that context when those second and third phases were being sold or made available, right?

Mr. Rainforth: Um hmm.

Ms. Yukimura: So you know, I mean that's always a concern for both the development community and the county that you get into this situation where the market has really turned down, and then you actually have an abundance of affordable housing for a while. So it's hard to sell these products. That's why I think your system is a way of addressing the developer need to move these units, but trying to do it in a methodical way that gives chances first to those people who need it, based on need...declining need, and then finally it goes into the market. So that seems to be one of the learnings as well, out of these projects. Thank you.

Ms. Iseri-Carvalho: Anyone else that has any questions of Ken at this time? If not, what I will do then, Ken, is ask if there's anybody in the public who wishes to testify before we take a lunch break. Mr. Darling?

ALFRED DARLING: Aloha. My name is Alfred Darling, and I am employed by the American Red Cross, and I come today with a big concern. First of all, I want to congratulate everyone with the projects that are out there on the horizon, but I also know that as of today, I'm sitting here before you with one voice speaking for many. On August 9 I wrote an article that came out in the newspaper; by seven o'clock a.m. I had more than 30 phone calls that can really wrench somebody's heart. And at the same concept on that particular day, there was a single family fire that displaced 6 more people, you know, at no fault of their own, which put them in the bracket of not being able to afford to go and pay for rent. So why am I here today? To speak on behalf of those that cannot afford to pay for rent at 17...\$1800. I can tell you that at this point, I myself have visited over 120 units to find a place for myself and my daughter, as a single parent, and I can tell you that tonight will be our last night in a house, and it's not an easy concept to become homeless. I told myself, what am I going to do with this? But working for the Red Cross has put me at an advantage, and that's also at a disadvantage, because I know 30 people that have close friends of mine that are now living in the back of somebody's yard, in the mountain, or on the beach. There is some urgency right now to have something immediately, and I know no one here has a magic wand, but it's the children, and the single parents, and the people working two jobs that I'm speaking for at this moment. That's it.

Ms. Iseri-Carvalho: Thank you, Mr. Darling. Any questions of Mr. Darling...or comments?

Ms. Yukimura: I want to thank you for coming forward. It's...it makes a difference when we see a person actually in a real situation that helps us understand what's happening out there, and I know you need, and so do these other 30 families that you mentioned, an immediate solution, and we, you know,

we're not always able to come up with the immediate solution. But what we're talking about here could make the difference in terms of some immediate solutions in the future.

Mr. Darling: I understand that.

Ms. Yukimura: And so I appreciate your stepping forward so that we can keep that in mind as we make these decisions. I really thank you for coming forward.

Mr. Darling: Well, I thought at first it was embarrassing, but then again, someone has to stand there and show a face. So if my face is the face of the homeless person, then let's expedite it, if at all possible.

Ms. Iseri-Carvalho: Councilmember Rapozo?

Mr. Rapozo: Thank you. Thank for coming up, Alfred. It takes a lot of courage, and you know, I wish the cameras were on today.

Mr. Darling: No.

Mr. Rapozo: No, no, because I think you bring a message...and you know...and let me apologize for running out. But that was where I was trying to go with my questioning was, this stuff we're talking about, 140%, family of 2, you're a single parent of one child, so that's 2...

Mr. Darling: Two children.

Mr. Rapozo: Two children.

Ms. Iseri-Carvalho: Three.

Mr. Rapozo: I'm sorry, three children. Two children, so three. Family of three.

Mr. Darling: Oh, do I count myself. Yes.

Mr. Rapozo: We got to count you. You eat a lot, Alfred. \$282,300. Could you go out and get a loan for that today?

Mr. Darling: No.

Mr. Rapozo: Okay, let's go to 120%. \$235,400?

Mr. Darling: No.

Mr. Rapozo: Okay, let's go up one more. \$188,400?

Mr. Darling: No. I'll tell you right now, I applied for every housing development project on this island, and because I'm in the bracket of 80% or lower, I qualify for nothing. I don't qualify for any medical, HUD, or anything else, and it's not only me when I say I. I'm talking about these other people that...

Mr. Rapozo: We probably share most of the same kinds of friends. Our circles are no different, I think.

Mr. Darling: That's right.

Mr. Rapozo: So I know, and that was the whole purpose. How successful is this policy? How successful are the policies? And that's why I ask you, really... We made a 100% affordable requirement. If we cannot fill those homes because people don't qualify, then it goes up to the next level, to the next level, to the...eventually, the requirement is met by selling homes at market or at the higher end...

Mr. Darling: Right.

Mr. Rapozo: Which is not what this policy's supposed to be. So I thank you for coming, Alfred. You know, when...it's different when we hear it from someone that's there. I mean we get calls, I get emails, we know what's out there. Not too many people got the guts to come up and say what you just said. I appreciate that.

Mr. Darling: Well, it's because of the phone calls I received, and I said, you know, I looked at it, and most of you already know that my contribution to the community has nothing to do with how much money I make or, you know how I die rich. It's just that my contribution means that if I take myself out of the community, what happens to my community? I know I wasn't born and raised here, but I'm hoping to die here.

Mr. Rapozo: Well, you know, it's...and for you especially, because you are the one that responds to the homeless people when the house burns, or the storm hits, and you got to go place people in homes, and to find yourself homeless, it's got to be devastating. Let me just ask one more question, Madam Chair, if I may? We looking at the same chart. We're using the HUD form. That's the numbers I blurted out, but if we look at rentals, family of 3, family size of 3, if we looking at 80%, 1190...1,190. Is that something that, you know, could work, or even if we went to the next lower income level where 700...(inaudible,

change side of tape...) I mean that's probably a lot more manageable than going out to the bank and borrowing 300 grand, or 250 grand...

Mr. Darling: Or even \$5,000 to rent a place for a few months and pay the interest on it.

Mr. Rapozo: And that's what I think...I'm trying to find out as a councilman that's got to make a decision on what policy we're going to implement, is really, what is the need? And I think you've answered that for a certain segment of the community.

Mr. Darling: You know, one of the things...well, one of the main comments that the majority of the individuals said to me is that...and like myself, I'm not asking for anything free. All we know is that what you work for is what you get. The more jobs you maintain does not mean the more money you make as well. Say for instance, if I'm making \$38,000 a year and I get a part-time job, I'm spending just as much on childcare, gas, food, and other things, and I put my family in jeopardy, because I'm no longer a role model of what I can teach them or learn from them, I'm a role model that in the future, you'll need to have 4 or 5 jobs, and what...and if you really looked at the children, which I work very closely with the Kapa'a Middle School, most of the middle schools, and the high schools, they can't wait to get off the island to go to a place where they can afford to live. So who's going to be left and how are we going to address this? And I know. I talked to many of you already on a personal basis, and I know there's no magic, although I do wish, but I look at all the people that have been in the situation as mine, and the same thing with the people that I've dealt with in February/March that have lost their homes to fires, and they're still camping out on a beach, and of course you can't go to a local park, because you only can get a permit for so many days, and what they're spending to keep alive on ice, cooler, security, some family member has to be there 24/7 in order to not have their...what's left of their belongings taken away. So when we talk about our mental health, when we talk about why are people in the predicament they are as far as being angry and upset, they want to give quality service to the people that come up there. They want to be able to have the same things as others, and they understand working hard was the American way, but now it's a matter of most of them don't have parents to borrow money from. You go down to the bank and you qualify for a \$5,000 loan at a percentage of 9.75 for the interest rate, and some of them actually are... I know a family right now that as my house is being taken away, my rental unit, that means 9 children will not have a place to bathe tonight, because they come to my house.

Ms. Iseri-Carvalho: Councilmember Furfaro?

Mr. Furfaro: Alfred, I don't know if you were here earlier for my presentation, but clearly, the opening statement said we need to develop and

facilitate workforce housing immediately, because the crisis is now. And I do believe it is at a point that government needs to step forward. I just would want to ask if there is an understanding on your part that problem is of course the earning power of our people tied to what has now become land cost and the \$200 a square foot development cost of housing. That pace alone has put housing much of the time out of reach without substantial subsidy, and I want to let you know that I do believe the government needs to step up to assist in that. This is not just a development issue. It is a State issue, it is a county issue, it is a development community issue, it is a kama'āina issue from all of us taking care of one another.

Mr. Darling: That's right.

Mr. Furfaro: I just want to make sure you understand that I did hear you, but the message is clear to me—we have to get deeper into subsidizing facilities and shelter for our people, and I think we're trying to address that.

Mr. Darling: And it's also my opinion...

Mr. Furfaro: And I apologize that the urgency hasn't been high enough.

Mr. Darling: It's also my opinion that once these families are placed in a decent shelter that you will see the reduction of crime and the stealing. What you might not understand is that there is no much competition out there for the rentals that I had an experience where I called the newspaper...I called an article in the newspaper...I should say I called on of the classifieds, and it was a 2-bedroom, 1-bath for 950. I asked the individual if it was still open. He asked me who I was. We introduced ourselves and stuff, and then he said to me, well, it is open, someone just offered me \$1200 for it, what do you say, and I say that's illegal, and that's what I told him. Because if it's...and that's what it is—it's an auction. I visited a place yesterday and I know exactly what it was advertised for, and by the time I reached that doorstep at nine o'clock in the morning, it went from 1200 to \$1700.

Mr. Furfaro: Well, I just want to let you know that that is a shame that is happening in our community, but I want to... The reality is there has to be a deeper subsidy on our part if we are going to solve it, and government needs to step to the table and help in this crisis, and that was pretty much my opening comments, and I appreciate you being here, and I'm very much going to try and keep my antennae out for you as well on your housing issue. Thank you for being here, Alfred.

Mr. Darling: I appreciate it. Thank you for the opportunity. Mahalo.

Ms. Iseri-Carvalho: I know we have representatives here. Did you want to speak before the lunch break? Okay, why don't we go ahead and do that? We normally take a lunch break at 12:30, so this will be perfect timing. Mr. Henderson, if you could come forward? Thank you.

BEN HENDERSON: Thank you, Madam Chair. Again, we need to catch a plane, so... Again, I'm Ben Henderson, I'm the deputy chair of the department of Hawaiian Home Lands. I just wanted to first congratulate and commend the council for clearly, this is a very complex issue. Our chairman wanted to be here today, but obviously he could not. We had submitted some testimony regarding a suggested amendment for your consideration, both on behalf of the department of Hawaiian Home Lands and the Hawai'i Housing Finance and Development Corporation. To consider allowing some of the workhouse housing credits or requirements or obligations to be met on State lands, specifically Hawaiian Home Lands or HHFDC lands. Councilmember Furfaro, thank you for your presentation this morning. I think a lot of the information that we share this morning was discussed kind of mirrors the situation that we're facing. I just wanted to take a minute to share with you a little bit about Hawaiian Homes. As many of you probably know, we are primarily a homeownership program. We offer a 99-year lease at a dollar a year. We have...we probably...all of our housing is in the affordable category primarily because we do not pass on the land cost. Currently, through various sources of funding, we subsidized the cost of offsite and onsite infrastructure. So all that the homeowner or the applicant on our waiting list pays for is the cost of the improvement, the cost of the home. You know, we have faced many of the challenges that were expressed here today in terms of trying to find and assist buyers to become qualified. A couple of years ago we started what we call the home ownership assistance program, or HOPE. It's similar to a home buyer education program. What we do is...when an applicant comes in, the first thing we do is we do a financial assessment. So for example, for the project that we're working on in Anahola right now, we have information on what their income requirements are. And for those that can afford a home that's fine. For those that need assistance, we refer them to certain service providers to assist them with financial literacy, budgeting, credit repair, those kinds of issues, so that at the point where the infrastructure is completed and we're ready to go to house construction and we go to the list to offer those homes, number one, at that time we will know what the price of the houses will be, and hopefully those families will be financially qualified to be able to receive an award should their name come up.

The cost of offsite and onsite infrastructure is expensive. Mr. Rainforth talked about, you know, the challenges of a high...a strong housing market versus when the market is slow. What we have found is when the market is high, the cost of construction is high, because the contractors are busier. You know, when there's a slowdown in the market, we can get better...more competitive prices on

construction cost. And our clientele, the constituency, that we serve on our waiting list, they're there when the housing market is high and when the housing market is low. We have over 1400 native Hawaiians that are on our waiting list right now. Many of them unfortunately have been on our list for a number of years, and have been passed over for previous offerings primarily because they weren't ready...they weren't financially prepared. In some cases there are other issues, but in many cases, they weren't ready financially. And so we're working hard to try and get them ready so that when our housing programs is moving, they can move along with us. The notion of allowing private developers to allocate a portion of their workforce or affordable housing requirement on State land would allow them to build more market units, and it would allow...still allow for the construction of affordable units that would go to families that wouldn't otherwise receive them. So we would ask that you consider that amendment, and I would be happy to answer any questions that you have.

Ms. Iseri-Carvalho: Yes, Councilmember Furfaro?

Mr. Furfaro: So do I understand that they have submitted to you an amendment?

Ms. Iseri-Carvalho: It should be in your file.

Mr. Furfaro: Oh, okay.

Ms. Iseri-Carvalho: If you haven't looked through your folder, the staff has indicated to me that they've placed it in the file.

Mr. Furfaro: Okay. Thank you for bringing that to us.

Ms. Iseri-Carvalho: ...and the testimonies, yes.

Mr. Furfaro: Okay, thank you very much.

Ms. Iseri-Carvalho: Any other questions? Councilmember Bynum?

Mr. Bynum: You said you had 1400 people on your list?

Mr. Henderson: That's correct.

Mr. Bynum: Is that Kaua'i?

Mr. Henderson: That's the Kaua'i ratings. We have 9,000 statewide.

Mr. Bynum: So 1400 people on Kaua'i who are seeking home ownership...

Mr. Henderson: And who have been on the Hawaiian Homes waiting list. Yes.

Mr. Bynum: Thanks.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: Do you have a requirement like we do at our housing office where there's priority given to those who don't own other real estate?

Mr. Henderson: We do not, and I will share with you very briefly that in the past, prior commissions had tried to impose certain kinds of requirements like that, and the Hawaiian Homes Commission Act doesn't including anything other than the fact that you be half Hawaiian and age of majority. I will also say, though, that there are certain funding sources that we utilize that do have income requirements, or other eligibility requirements that need to be met. And so we try and address those as we go forward. For example, we use federal housing money, native Hawaiian housing money, and say for example, if 20% of the cost of the project is funded out of native Hawaiian housing money, then 20% of those units need to go to qualified buyers under that program, which in this case is 80% and below median. And so we need to go through our list and make sure that at least whatever percentage it is goes to those kinds of buyers. But other than that, in the past there were requirements that you not own other property, etc., but those have been deemed to be illegal. So we don't have that requirement.

Ms. Yukimura: I see. Thank you.

Ms. Iseri-Carvalho: Any other questions? Council Chair?

Chair Asing: I have a question. On your Pi'ilani subdivision, that 180 unit Anahola, where is that located?

Mr. Henderson: It's in...it's makai of the highway looking down towards the ocean.

Chair Asing: Is it going down...the main road going down to...

Mr. Henderson: Yes, to the beach park, on the right, yes.

Chair Asing: On the right?

Mr. Henderson: Yes. As you going down, it's on the right side.

Mr. Furfaro: That's behind the netting that's up now, right?

Mr. Henderson: Yes.

Mr. Furfaro: Okay.

Mr. Henderson: Because the site's construction is going on now.

Mr. Furfaro: There is site construction going on.

Chair Asing: And that is planned for '08?

Mr. Henderson: Well, the site construction is ongoing now. We are scheduled to start construction on the first homes in the Spring of '08. I'm told that the first house...houses will probably be completed around October. The first phase is 80 units of that 180 units, so...and so the first houses will be done October of next year, and probably all 80 houses hopefully by the end of next year...next calendar year.

Ms. Iseri-Carvalho: Questions? Oh, go ahead, Council Chair.

Chair Asing: And this 180 unit subdivision, are these awarded already, or they will be awarded?

Mr. Henderson: These are what we call undivided interest lessees, because they were awarded a lease for a lot that's not subdivided yet. What we have been doing while the site construction is going on, and prior to house construction, is trying to get them financially prepared. So there are 300...excuse me, 180 lessees, but what will happen is that we will have an offering for the first 80 houses next March, and those that are financially ready will have an opportunity to select at that time.

Chair Asing: Thank you.

Ms. Iseri-Carvalho: Yes, Councilmember Furfaro?

Mr. Furfaro: Just one more question. I think I know the answer. In your subdivision process, the administrative reviews of your subdivision and so forth is only subject to your administrative review; there is no...there's no county hurdles to...

Mr. Henderson: Well, we're not subject to county zoning, but we do

follow county subdivision and building code requirements.

Mr. Furfaro: Road width, all of that, but...

Mr. Henderson: It's a health and safety issue, and insurance, and other concerns...and you can't mort...

Mr. Furfaro: So you meet our standards, but you do not go through a review process.

Mr. Henderson: That's correct. Well, we do...I mean it is reviewed by the county.

Ms. Iseri-Carvalho: We do.

Mr. Furfaro: I guess I'm being delicate when I'm talking about the review, but you don't need our...

Mr. Henderson: It's not required, but we do go through that process.

Mr. Furfaro: Yes. Thank you.

Ms. Iseri-Carvalho: Yes, Councilmember Yukimura?

Ms. Yukimura: How do you price those...the units?

Mr. Henderson: Those units are... Well, what we will do is we will put out a request for proposals from architects and contractors that will come in with various house models and recommended prices, and then we will select the best design and best house cost.

Ms. Yukimura: Well, what I meant though, in terms of the families that are buying, is there a set price for all the families, and you subsidize...

Mr. Henderson: No. The cost of the house is whatever the cost of the house is, but there's not profit built into that.

Ms. Yukimura: I see. Right. So your houses are running at what kind of... They're what...3 bedrooms...

Mr. Henderson: There are usually several models, some 2 bedrooms, some 3 bedrooms, maybe some 4 bedrooms. I can tell you that, for example, the turnkey units in Kekaha range from, I believe, around 120,000 to up to 200,000 for the largest unit, and I can't tell you the mix or the make-up, but...

Ms. Iseri-Carvalho: You said 120 up to?

Mr. Henderson: About 200 for the largest unit.

Ms. Yukimura: And your families don't pay more than 30%...or they pay whatever the price is.

Mr. Henderson: They pay whatever the price is.

Ms. Yukimura: I see.

Mr. Henderson: But again, it's just the price of the home. They don't pay any land cost or any infrastructure cost.

Ms. Yukimura: Right. Uh huh.

Mr. Furfaro: But you recover all costs related to the building of the house?

Mr. Henderson: Only the construction of the house.

Mr. Furfaro: Yes, of the house.

Mr. Henderson: And we absorb the site costs. And so we are... I think you made the statement about \$200 a square foot is pretty much what it's costing nowadays.

Ms. Iseri-Carvalho: Councilmember Rapozo?

Mr. Rapozo: You have a cost per square foot, because it's...you say one rate for this...for the small one, and another rate for higher...the bigger house. What is big and...how much per square foot I guess is the better way to...

Mr. Henderson: Again, it's varying. Right now it is running between 150 and \$200 a square foot.

Mr. Rapozo: And that's what I wanted to get.

Mr. Henderson: And I would mention that, you know, we are, you know, I think all of us are in the same situation in terms of the construction industry being busy, and so material costs, construction labor costs, are all high.

Mr. Rapozo: Okay, so it's in that 150 to 200. Thank you.

Ms. Iseri-Carvalho: Mr. Henderson, I got a question. Of these 181 units, how much of those are non-turnkey?

Mr. Henderson: Umm.

Ms. Yukimura: You know, whether there's self-build or self-help or...

Mr. Henderson: Of the...the first phase, the first 80, I believe we're looking at 60 turnkey units, some vacant lot award which means owner/builder, but they will need to demonstrate the ability to build a home, and about...I think about 10 of the lots we're looking at now being set aside for a self-help project, but that hasn't been finalized yet.

Ms. Iseri-Carvalho: Okay. And how...I guess how did you make that determination, you know, of certain percentages being turnkey, certain vacant lots, or certain self-help?

Mr. Henderson: Couple of ways. One is when we went out and discussed the project with our constituency in the community, number one, there was interest in...among some of our applicants that wanted to have the ability to build their own homes. We also, frankly, recognize that there's a segment of our constituency that can't afford the cost of a turnkey home, even at the subsidized rate that we offer it at, and self-help is probably the best vehicle for those individuals. Again, we are looking at...as I mentioned at the outset, we are gathering the financial information now on the 180 families that have expressed an interest in this project, and so we are, you know, starting to formulate what people can afford now. We had made a commitment...the chairman had made a commitment at our offering meetings that 10% of the units would be set aside for owner-builders and that we would also have a self-help component, depending on what the market dictated. So right now we're looking at about...again, about 10% of the units being owner-builder and probably around 10% being self-help.

Ms. Iseri-Carvalho: Okay, and I guess I received an email about the purchase prices of the homes that were currently being offered, and it appeared that the prices went up to like 265 or 285... Was there a brochure or something of that sort that was sent out to the Hawaiian community?

Mr. Henderson: I haven't seen that. The houses haven't been offered yet; we don't know what the sales prices are yet.

Ms. Iseri-Carvalho: Okay, and I'm not sure who...I guess one of those persons...like I think it was a...I think like from Honsador. Was there some

proposal being considered at all?

Mr. Henderson: I'm not familiar with that. I'm sorry. I can try and...if I...if you'll allow me, I'll go back and try and get that information for you.

Ms. Iseri-Carvalho: Okay. And then in reference to the amendments that you provided, would it be possible to limit those amendments? It appears that there really will be no projects coming online, it appears, that would be 60 and below. After speaking with your director, it appears that there are a considerable in the Hawaiian community that would be in that median income group. Would it be...I mean would the Hawaiian Homes community, DHHL, be amenable towards reducing or...you know, if there is some pooling of resources where the council would consider having developers build on Hawaiian Home Lands, that it be for that group that no one else can provide...

Mr. Henderson: Yes.

Ms. Iseri-Carvalho: ...which is the 60% and below.

Mr. Henderson: Yes.

Ms. Iseri-Carvalho: Would you be amenable towards that?

Mr. Henderson: Yes.

Ms. Iseri-Carvalho: And as far as the DHHL lands that are available, I mean I know of course Anahola (I live in Anahola), there is still an enormous amount of land available there, Wailua, and Kekaha or Waimea...

Mr. Henderson: Kekaha we do have some lands...or actually, we have quite a bit of land, but most of it's up in the mountain—it's in the game reserve. In terms of land on the Westside that's not developed yet, we have very little. We do still have a little... We actually still have about 300 acres in the Hanapēpē area, but it is under lease to Gay & Robinson for sugar cultivation. It's land that was transferred to us from DLNR, and there's a requirement in the transfer that as long as sugar is actively going on, that would stay...that it would stay in sugar cultivation.

Ms. Iseri-Carvalho: Okay, and the status of the type of lands that are available, Anahola, Wailua, I guess potentially Hanapēpē, as far as their status with respect to being infrastructure ready.

Mr. Henderson: Anahola's probably in the best position, because we have an existing community there. Wailua, I think you're familiar, it's former

sugarcane lands. There clearly are water, drainage, and sewer issues that need to...there's no infrastructure in Wailua. The Hanapēpē lands, I mean it's sugarcane lands now. I think there would need to be water source development. There would possibly even need to be some road improvements to get access to the lands, and beyond that I'm not sure. But basically, other than the Anahola lands, these other lands are...do not have any offsite infrastructure close to them.

Ms. Iseri-Carvalho: Okay, and...you know, suppose that, you know, what you had proposed could work, what would DHHL get out of it? You know, have we gotten, you know, consent and approval from the beneficiaries that this would be something that would be worthy to that community, or is this just a proposal from the commission, or you know, as far as that, what's...

Mr. Henderson: Well, we have, you know, we have discussed the Anahola project, and I know you're aware there's some discussion about what we would do in Wailua, but those development opportunities have been discussed with our beneficiaries. Now, the specifics of how those projects would be financed have not. I think we view this particular amendment as an opportunity...what we would get out of it is obviously some financial assistance and support to help put in the infrastructure or subsidize the course of development of affordable housing. And at the same time, maybe encourage some of the private developers, maybe have, you know, a reluctant or for whatever reason are having difficulty meeting their requirement in their projects, to provide an incentive to them to go ahead with doing that by providing it on our land. You know, again, our mission here it so put native Hawaiians on the land, and we are looking at a variety of strategies and ways to do that. You know, we felt that by allowing private developers to, you know, fulfill part of their affordable housing requirement on Hawaiian Home Lands, it would assist those developers, as well as Hawaiian Homes, and ultimately it would assist our beneficiaries in getting on the land faster. So that's kind of how we look at it.

Ms. Iseri-Carvalho: And has these concepts been proposed to other counties?

Mr. Henderson: We are talking to a few other counties about this, yes.

Ms. Iseri-Carvalho: And nothing has been in written form?

Mr. Henderson: This is...you know, we're talking to Maui County specifically. I think Kaua'i County and Maui are probably the furthest along at this point.

Ms. Iseri-Carvalho: Any follow-up questions? Yes, Councilmember

Furfaro?

Mr. Furfaro: I was of the impression that something did happen in this framework on the Big Island outside of Kona with Department of Hawaiian Homes.

Mr. Henderson: Well, we have...I mean we have a development in Kealakehe outside of Kona, but I mean it's on lands that were transferred us from our sister agency HHFDC, but we are funding that project on our own at this point. There is a...you know, there is a county housing workforce housing project in Waikoloa that is being done with community development facilities bonds. So I'm not sure if that's the project you're referring to.

Mr. Furfaro: And when in concept the improvement is put on Hawaiian Home Lands, and then the administration of that mortgage loan is handled through Department of Hawaiian Homes through a memorandum of agreement? How would that happen?

Mr. Henderson: You're talking about the credits, or you're talking about the mortgage on the house?

Mr. Furfaro: I'm talking about the actual mortgage.

Mr. Henderson: We have various mortgage lenders that we work with: FHA, Rural Development Farmers Home, Veterans Administration; we also have certain banks that provide mortgages that are secured by private mortgage insurance, and then the department also provides direct loans. We are a lender of last resort for those that cannot find the...cannot get approval anywhere else. We have a lot of high-risk loans, but generally, you know, we try and...we work with our clients to get private financing.

Mr. Furfaro: Thank you very much. Thank you, Councilwoman.

Ms. Iseri-Carvalho: Thank you, and I wanted to also note, Mr. Henderson, that the DHHL has also provided free homebuyers education, and those courses can also be utilized to be placed on their priority list for the county housing as well.

Mr. Henderson: That's correct.

Ms. Iseri-Carvalho: So, you know, they have additional avenues to either get on...because Hawaiian Home lands are situated in only particular areas that if there are people who do qualify for Hawaiian Homes who do go through the courses that you offer, and it's offered I believe for free (I believe for the County it's

like \$100) that they are also eligible to be placed on a waiting list for the county system as well. So it's in a lot of benefit for those Hawaiians to take advantage of those opportunities that really recently just came online...

Mr. Henderson: That's correct.

Ms. Iseri-Carvalho: ...and this is within the last year and a half, maybe.

Mr. Henderson: Yep. Thank you for pointing that out, yes.

Ms. Iseri-Carvalho: Yes, so it's also assisted the county's efforts in trying to assure that those projects are...you know, homebuyers and also, and also that they also have a selection of different types of housing and different types of projects in different areas as well. So we really appreciate it. This is a really novel concept to come up and try to pool resources together, because you know, you have native Hawaiians working in where housing is required, like Kukui'ula or Princeville (I guess they've got outstanding conditions), and certain other projects. So thank you for coming up with that proposal, and we'll definitely look over it, because we recently got it, and thank you for coming over.

Mr. Henderson: Thank you.

Ms. Iseri-Carvalho: I know you took time to come over and try to explain the process before, and Micah Kane, extend our thank-yous to him as well for providing the concept early enough that we could have it and be aware of it before you came.

Mr. Henderson: Thank you for your time.

Ms. Iseri-Carvalho: Thank you.

Mr. Furfaro: Thank you, Mr. Henderson.

DAN DAVIDSON: Good afternoon. Chair, Councilmembers, I'm Dan Davidson, executive director with Hawai'i Housing Finance and Development Corporation. Ben [Henderson] covered the gist of the amendment. We submitted basically identical testimony, which at this point for HHFDC is more theoretical. We're further along with the land base on O'ahu, the Big Island, and Maui than we are on Kaua'i. We're actively seeking opportunities here working with DLNR, which is of course the custodian of all State lands, and then we work with them to try to find suitable sites. So we are working to identify sites. We're in favor of the amendment for exactly the same reason that Mr. Henderson put forth that our mission in life is facilitating affordable housing, and if this is one more way that a

private developer subject to your ordinance can figure out a way to meet it to your satisfaction, we're happy to oblige.

I think just a brief word about HHFDC. (I know I'm standing between you and lunch...or sitting.) We're sort of the new streamlined housing and finance agency that came out of the split of the former HCDCH, which included both housing development and finance, and also the administration of all of Hawai'i's public housing assets, working a lot with HUD, and taking it down also into the homeless programs. Hawai'i Public Housing Authority now is primarily vested with the homeless programs in administering all of Hawai'i's public housing. We focus on the finance and development of affordable housing, which is pretty much defined as from 50% of median income up to 140% of median income. At the lower income ranges, most of our finance programs are what kick in, and we have financed, I think, or are financing about 400 units here on the island of Kaua'i right now.

Ms. Iseri-Carvalho: 400?

Mr. Davidson: About 409 different projects. Kalepa Village is the most recent. So our finance branch has been active here. But again, that rental housing is very difficult. In fact, it's virtually impossible to build without government subsidies, so we provide various tax credit programs, rental housing trust fund programs, to try to help get non-profit and for-profit developers sort of over the top in terms of financial viability, and those programs are just critical. Right now we're averaging financing about 300 units per year statewide. We are seeking additional funds from the legislature to try to more than double that number. We'd like to be financing over 600 units a year...for the simple reason you heard is that there's just a tremendous shortage of affordable rentals.

Our development branch is a little more entrepreneurial and flexible in terms of providing both rental and for-sale opportunities. The way it generally works is when there's available State land, we'll put out a request for proposals setting forth some general guidelines: are we seeking rental, are we seeking for-sale, what are the infrastructure requirements, and the sort of the whole menu, if you will. We then work with again the existing development community to find out where the creative ideas are, and we have a lot of RFPs on the street right now on O'ahu and the Big Island. Our goal is through either new development or preservation of existing affordable units. Over the next 5 years, we want to try to produce 6,000 affordable units...the majority of those being rentals, but also the for-sale market is important to us. So we recently co-sponsored with Mayor Tavares an affordable housing workshop, because Maui has passed an affordable ordinance, and our goal was to work with the county administration in explaining all of our various programs, to begin both the nonprofits, the for-profits, and then to the county itself, and to see how those programs can work with the various county needs, various county requirements, to help everybody produce affordable housing. So we'll

certainly be available down the line to work with you as best we can. Thank you.

Ms. Iseri-Carvalho: Hold on. Questions? Councilmember Bynum.

Mr. Bynum: So you're talking about identifying State land. This isn't the same as the work that our mayor's done with the State?

Mr. Davidson: Actually, it's very similar.

Mr. Bynum: But you're working to identify lands other than those?

Mr. Davidson: Or if the county administration ever decided they wanted us to do it instead, we would be happy to oblige. At the time of that initial exercise, it was kind of up to the counties (because we believe in homerule) whether they wanted to try to work with DLNR themselves, or whether they would want us involved. We respect however anybody wants to do that. But it's the same land. I mean there's only...there's only one land base, so that the issue is finding appropriate land in the right places that's served with infrastructure to get housing built, because when it's... Conservation land is impossible, and then it's just... Finding the right land is definitely a challenge.

Mr. Bynum: And just...you mentioned the housing bill on Maui. You have any observations about that bill, about whether it would be helpful to create affordable housing?

Mr. Davidson: Well, one of the things in my current job, Councilman, is we're a housing production agency. I spend a lot of time on the policy side. Now I'm more...we deal with what exists. In other words, Maui county has passed an ordinance; we want to help any way we can to make that work and to produce housing. Regardless of what you enact, it's the same offer. About the only thing I would say from a policy point of view is to try to really make sure it works, because it won't...if it doesn't work, you won't get housing. And everyone will have a different version of what that means, but I think that's the toughest thing in the work that you're doing—is to come up with something you can hit the ground with and that will produce housing.

Mr. Furfaro: Can I just ask a real quick question?

Ms. Iseri-Carvalho: Yes.

Mr. Furfaro: Dan, could you just put on your radar screen, in the heart of Kīlauea there's a 2-acre parcel by executive order is committed, really...it's next to the senior housing project in Kīlauea Town, it's State land, that the talk in

the community is there's a number of seniors that have their homes in Kilauea since the time of C. Brewer's closing, and if there was some senior housing available, they could certainly make their homes available to the next generation. But I don't understand the split between the financing aspect, the facilitate aspect, and who actually has this asset. But there is a 2-acre parcel, it's right in the heart of town, it is by executive order intended for senior housing, and I'd like to get it on somebody's radar screen.

Mr. Davidson: Well, that's wonderful. We just had a similar situation in Kona where there was some land that public housing has that's vacant, and we've been requested by the Governor to grab on to it and build. So it's...we'll look in to it. Senior housing is a tremendous need. We just financed a project in Wahiawa that opened yesterday, rents at \$600, and the people there are just so grateful to have those kind of opportunities. So that's a great...I will follow that up immediately.

Mr. Furfaro: It's not a big parcel. It's a little over 2 acres.

Mr. Davidson: Two acres is two acres.

Mr. Furfaro: Has density for 16 units, and a lot of those parents are prepared to...if they can stay close to home, give up their homes for their children.

Mr. Davidson: Okay. Appreciate it.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: Mr. Davidson, I was interested in your comment...two comments you made that I think are related. You said make sure it works, and then you said the...getting the right land is really the challenge. One of the provisions in the housing bill is, you know, for dedication of land onsite in an existing development area, which I think will give us some land that has infrastructure close by. So I'm hoping that that provision will help us get the right land right away.

Mr. Davidson: Great.

Ms. Yukimura: Yeah, okay. Thank you.

Ms. Iseri-Carvalho: Councilmember Rapozo?

Mr. Rapozo: Thank you. I'm not going to ask you to expand on your answer regarding the Maui policy, because I think I can...I think I heard

your...

Mr. Davidson: No, no. I...I had no hidden message. We're excited to try to work with it.

Mr. Rapozo: Well, I'm sure. You know, there comes a point where you really have no choice if it's the law, but... And I'm not...I'm just not trying to be funny. I'm trying to find out if you know of any policy anywhere in your position or in your studies that have worked that any kind of... I've been, in the last couple of days, I've been reading a lot of studies that are pro-developer, anti-developer. You can make the study fit whatever need you want, but I've read several different studies, and it's coming quite clear to me that we got to be careful in this area, because if in fact we tighten it too much, you basically don't serve the purpose that you want to. So I'm just curious. I think you're familiar with our broad, you know, the range of income levels that we're trying to serve with this one policy. Are you aware of any policies or any jurisdictions in the United States that have something that really works that maybe we should look at? Because you right, it's meaningless if we have a policy that just does not work. It may look good, and it may make us the toughest county in the State for affordable housing policies, but if it doesn't work, then in essence, we have nothing. So I'm just trying to get as much information as I can from the experts, and I consider you one of them.

Mr. Davidson: Thank you. In high cost, high growth areas, it's hard to do this. It's just...I don't have...I can't point to a particular county or a particular jurisdiction and say, they hit it exactly right. On some level they all work. I mean probably somewhere in-between the various advocates, since I'm a government employee now, not an advocate, the truth will emerge. But I think one thing we try to do at our agency is be flexible enough to allow for really good ideas to emerge, and I'll give you a really quick example. We put an RFP out for a rental project in Kakaako recently, and we were expecting a really good, workman-like, tax credit, mid-rise, no frills kind of project, because that's normally what you get in this rental arena. To our surprise and great happiness, a developer figured out a way to put a really gorgeous mixed-income rental using a different kind of financing that I think virtually anybody would be proud to live in, and if we had been too restrictive in our RFP menu, we would have prevented that from happening, because we didn't see it in our heads. So I really believe that the non-profit and for-profit builders are probably smarter on this than we are, so we want to give them room to be creative. So I think to the extent that you can build flexibility into your programs that allow that to happen, it's a really good idea. Because the other thing is you got to...you got to design something not just for a hot market or a dead market or a middle market, but, I mean for all...(Inaudible, change tape)...

Mr. Davidson: So you just have to give it your best shot. I don't think there is a magic solution.

Mr. Rapozo: I have two (2) more, but I can wait. Just a couple more and one is a statement that American Planning Association did a study. And basically what they said was, in general, mandatory programs are better suited to produce housing that is affordable to low and very low income households which are households below 80% and 50% of the areas median income respectively. Is that something that you would challenge? Or is that something that sounds right? This is APA and we rely on them a lot for smart growth and, of course, you read the other one that basically says that it just doesn't work. But they also reference other studies in this one and it is interesting that the APA has stated that if you are going to mandate, you know, we should be focusing on the lower income levels. If you are not able to answer, that is fine. I know it is probably not fair to put that kind of question on you, but, again, we want this thing to work.

Mr. Davidson: We, intentionally, at HHFDC worked both ends of the spectrum if you will. We, again, an awful lot of 50% and 60% rentals which is kind of our... of AMI of our bed and butter, but we recently partnered with Castle and Cooke for a for sale townhome project in the Villages of Kapolei... 118 units, 1,200 people have submitted applications for that project and I was there that morning and this is saw to the earth Hawai'i people. It is... again, household income is, you know, two (2) or three (3) people, so this is toward the higher end. This is the 140%, but it does capture what Councilmember Furfaro was talking about. These are the families and... so we are excited about servicing that income group too, because if we are not there, I am not quite sure where those 1,200 families are going to go right now. So we are trying to do both at our agency.

Mr. Rapozo: Was that project a housing condition? The one that you just defined or described?

Mr. Davidson: No, it is part of a large, old Act 15 when the State jumped in and did big master planning communities.

Mr. Rapozo: Okay.

Mr. Davidson: So it is, no, it is our...

Mr. Rapozo: Yes, well, I am just trying to relate what is on this study to what you are saying and that is a different...

Mr. Davidson: No, but I am just saying that I... we don't pick and choose at our agency. We try to meet a range.

Mr. Rapozo: And we have to as the legis... and my final question is, you made a comment about the State lands that were turned over to the County and that you folks would be, you know, willing to assist us there. Have you folks been

approached or have you folks been... have we been talking to you, your agency regarding these lands and asking what you could do for us as far as developing these lands into some units that we could turn quickly?

Mr. Davidson: Not specifically. It is more that we have worked with DLNR looking at Kaua'i land that, I think, in effect, at that time, the Administration sort of passed on, but we talk to Mr. Rainforth all the time, so he is a good customer of ours. But in terms of specifically sitting down and saying, what can you do here? That has not happened. We are definitely open to that.

Mr. Rapozo: And I heard that in your earlier statement and I was kind of excited because, you know, again, it is about getting these things built.

Mr. Davidson: We agree.

Mr. Rapozo: Thank you

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: I am curious about that project you cited in Kakaako, how many units and who the developer was?

Mr. Davidson: It is a consortium that includes Stanford Carr and UniDev and Pacific Housing (Marvin's group).

Ms. Yukimura: Awaya?

Mr. Davidson: Yes, so it is a complex financing package, but it has all three (3) of those in it.

Ms. Yukimura: We have had UniDev come and speak before us and they are quite experienced in multiplicity of formats and financing and actual production.

Mr. Davidson: Right.

Ms. Yukimura: Thank you very much. What is it called?

Mr. Davidson: Hale Kuwela Place.

Ms. Yukimura: Thank you. Oh, how many...

Mr. Davidson: Two hundred something. I don't have the number off... it is a high rise. It is about a 20 story building.

Ms. Yukimura: Thank you.

Ms. Iseri-Carvalho: Councilmember Bynum?

Mr. Bynum: Just real briefly. I appreciate your comments about the RFP. You know, sometimes it is a request for program that is so strict, you know, do this for us versus a proposal that allows for some creativity, so thank you.

Ms. Iseri-Carvalho: Thank you.

Mr. Davidson: I appreciate it.

Ms. Iseri-Carvalho: Thank you very much.

Mr. Furfaro: Thank you very much.

Ms. Iseri-Carvalho: Mr. Henderson, I just had one more question for you before you leave. Currently, I think, the Hawaiian Homes preference has been toward single family residences. Is that still currently the preference?

Mr. Henderson: It is. We have done... frankly, only one... we have a multi-family residential project in Papakolea. It is actually duplexes or fourplexes and some single family.

Ms. Iseri-Carvalho: I am sorry. What island was that?

Mr. Henderson: Papakolea on O'ahu.

Ms. Iseri-Carvalho: Papakolea, oh, yes, that is right.

Mr. Henderson: Called Kalawahine Stream (inaudible). It is a mix of single family and duplex and fourplex units. We have done... actually, we haven't, but we have made our land available for one elderly or kupuna housing project in Waimanalo. It is an 84 unit project that actually Pacific Housing is the developer, housing manager of... and it is funded with low income housing tax credits and we are... essentially, we have leased the land for that purpose. I will tell you that single family and for sale has been kind of what we know and what we do best. I did have some conversations with Councilmember Yukimura earlier about thinking about some other ways to do things. We have... the primary entitlement, as you know, is a 99 year lease to a piece of property. So multi-family and well as rentals, we have done one rent with the opportunity to own project, a 70 unit project in Kapolei. I would tell you that, you know, rentals are not our forte either, but... so

we have ventured into a few areas, but that is a long winded way of saying homeownership is still what we know and what we do best.

Ms. Iseri-Carvalho: Has DHHL looked into the UniDev concept because UniDev really is one without land and they do all the construction of the homes, etc.

Mr. Henderson: Yes, they've talked to us also and we have had some conversations with them. We are still considering that option.

Ms. Iseri-Carvalho: Great. Any other questions? Thank you. Thank you again so much and we will get back to you on the status of the meeting. At this time, we will take a lunch break and return back in an hour or so at 1:45 p.m. Thank you.

There being no objections, the Committee recessed at 12:42 p.m.

The meeting was called back to order at 1:55 p.m., and proceeded as follows:

Ms. Iseri-Carvalho: Mr. Kouchi has arrived, so what we will do at this point is entertain comments on the new concepts that was proposed by Housing and any handouts that Housing had passed out and anything else that we had discussed previously in the other workshops. You are free to raise that at this time. Are there any signed registered speakers? No? You guys didn't pass out the sheet? Okay, if not, we will start with the first person who wants to raise their hand. If not, if there are no comments, that will be even better yet. We will just pass the policy as it is.

There being no objections, the rules were suspended.

TOM SHIGEMOTO, A&B PROPERTIES: Since nobody is ready, I will go first. For the record, Tom Shigemoto. First, let me thank Jay for presenting his findings or his proposal on this housing bill. I thought he put in a lot of work and a lot of that information, I think, will be good to include in some of... in this policy. I don't know about everything because we just heard it for the first time, but, you know... Again, I have a question on what happens from here on out because we don't know exactly where we are. We got the presentation by the Housing on the new concept, but what does that mean and how does it tie into the whole ordinance that we are expected to live with ultimately? So that would be my first thing. What happens?

Ms. Iseri-Carvalho: What happens? Well, I anticipate that after today, we will return this bill back to Committee. At that time, there will be proposed amendments hopefully. We will... I think just have one, hopefully, just have one more meeting after that and expect to pass a bill out by September 19. That is the

schedule that I have outlined, so any amendments that need to be proposed back at Committee can be done prior to that time.

Ms. Yukimura: Can I ask a question related to that?

Ms. Iseri-Carvalho: Yes.

Ms. Yukimura: The Housing Executive said that... he presented, really, thoughtful concepts today, but that needs to be incorporated into languaging, so I am thinking that we would get that before we propose any amendments. Am I off in my sequence of thinking?

Ms. Iseri-Carvalho: Anybody can propose any amendments. It doesn't have to come from housing.

Ms. Yukimura: I know, but the body... the bill is going to be changed... the existing bill will be changed substantially I think both in organization and in languaging, so I am thinking it would be hard... and I think that will be the body of the... become the body of the bill, so it would be much easier if we could see that in language and then...

Ms. Iseri-Carvalho: Well, I hope that that will be done by the first day of the Committee which is in two (2) weeks.

Ms. Yukimura: Okay, I just wanted to know your timetable on that piece, and then we will get to look at it, so if we get it at Committee, then we would be hard pressed to develop the amendments right then, so we would have to...

Ms. Iseri-Carvalho: No, there would be another two (2) weeks, and then hopefully on the next two (2) weeks, we will be able to pass it out and it will go to full Council on the 19th.

Ms. Yukimura: Okay, that is, I think, a workable schedule as long as we can have that core bill. Thank you.

Ms. Iseri-Carvalho: Okay, so that is where we are at.

Mr. Shigemoto: Then, is there going to be, in this proposed draft bill, kind of like an explanation of how they came about with this or just Ken's verbal explanation on what these concepts are because, frankly, I am lost. I don't know how to make heads or tails with this without having the time to study what this is, but I need... you know, I am Class of '66, Kaua'i High School, so my memory bank is not that good, so I can't remember everything and, so are we going to get something... some rationale for and explanation for these concepts?

Ms. Iseri-Carvalho: I would think... we can ask Ken that. I mean, he...as to how he arrived at those numbers?

Mr. Shigemoto: Yes. Okay, so he can... because along with that, you know, we heard from the gentlemen from DHHL and, you know, they are proposing a whole bunch of units and I don't know if those unit counts are in or factored into the...

Ms. Iseri-Carvalho: The DHHL?

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: It is on the proposal that Jay had. This is from the Housing Task Force. The numbers that were proposed and the numbers that were actually the current status, DHHL are contained...

Mr. Furfaro: But one project has to be added, 180.

Ms. Iseri-Carvalho: And I was just going to say that you just need to add the 80 if you go within the next two (2) years because the 80 would be the Phase I that would be finished in the next two (2) years and then they have 100 subsequent to that.

Mr. Shigemoto: Okay.

Ms. Iseri-Carvalho: So I guess it was 181 was the actual count, so that was the only one that really was missing from the list. That and Kukui'ula.

Mr. Shigemoto: Yes, okay. Kukui'ula... okay, thank you. That helps with that. Again, getting back to the, you know, he is asking and we totally agree that, you know, if we can work it into the ordinance that we get credit, I mean, not we, but developers get credit for joint venturing with not only DHHL, but any other State or County housing program, that would be good for providing the units that we need. My point on that, is that if it is going to happen and I hope it does, goes back to the current bill which limits the... us getting credits for building units within this 10 mile or tax district because if we are going to do that, then, really, we should be getting the same consideration in the building affordable units within the 10 miles radius and not necessarily be stuck in the tax district, you know. That is my comment on the...

Ms. Iseri-Carvalho: With respect to the DHHL proposal you mean?

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: Yes, and then, you know, we are not sure if that proposal will be a part of the housing agreement itself. That still hasn't been worked out. Housing...

Mr. Shigemoto: I know.

Ms. Iseri-Carvalho: But should it be, yes, I would think that that would be an exemption from those.

Mr. Shigemoto: It is a consideration that we are asking for it, yes, if that is going to happen and as I said, I encourage that to happen, then we just ask for that same consideration instead of limiting us into the tax district or, you know, the 10 mile radius.

Ms. Iseri-Carvalho: Okay.

Mr. Shigemoto: The other point, it is more a comment, you know, and I heard Al Darling and I work closely with Al and I really feel for him, but I think you have to ask yourself why there isn't... and I am talking about affordable rentals, you know, why there isn't more affordable rentals on the island because housing hasn't just come up in the last two (2) years. Housing is... the housing problem has been around for a long, long, long time and I think it is a factor of people not wanting necessarily to be in the housing management business. You know, and if they are going to develop a multi-family project to get financing, it is a lot easier to do a condo project than it is to run an apartment. So I think this gets back to the incentive if... and I don't see that in this... in Ken's proposal, but there is really, I don't think an incentive for people to do affordable rentals. Everything is based on sale and there maybe have some credits for multi-family, but that doesn't... skirts the issue of apartment rentals itself. So I think if you can take a look at that, that would maybe help the situation by getting more affordable rentals in place. That is basically all that I have to say. Again, I thank Jay and thank Ken for doing this. We haven't had the time or know how to evaluate the tables yet, but we will take a look at that and surely be coming back to make more comments later on. Thank you.

Ms. Iseri-Carvalho: And I apologize Tom, I know we were trying to get that to you beforehand and because of circumstances beyond our control, we weren't able to get... I heard it at the same time, basically, that you did.

Mr. Shigemoto: No, I understand and I thank the Council for, you know, listening and hopefully adopting something that works. Thank you.

Ms. Iseri-Carvalho: Questions Tom.

Ms. Yukimura: Your suggestion on affordable rentals, I presume it would include cooperative units (limited equity coop).

Mr. Shigemoto: Sure, again, whatever it takes to get these folks that really need these homes or units, someplace to stay.

Ms. Yukimura: Okay, that is good because they would be able to get those tax credits... not tax credits, tax deductions for mortgage interest and real property tax if it were a cooperative unit rather than just a rental.

Mr. Shigemoto: Yes, I am sure that there are a lot of different benefits to doing that and a lot of incentives to do that, but I don't know all of them and certainly...

Ms. Yukimura: Well, the other one from a management standpoint is... I think we spend a lot of money to refurbish rentals between renters and in the coop, there is a pretty strict requirement for annual inspections and then when you want to take your money out of the coop because you make an investment and you get... you get interest on it, you can't access that until you give back your apartment in good condition.

Mr. Shigemoto: Yes.

Ms. Yukimura: So in terms of management, you don't have the problem of refurbishing the units between renters, so there is just quite a few positive things that would be the same effect. It would be that level of rent, you know, that income that usually rents, but it would have some ownership benefits.

Mr. Shigemoto: Yes, and I think... I am not sure. I think the crux of the problem is who wants to get into the management arena (the management of these long term affordable rentals) or these coop housing, you know. If you have a government agency or non-profit agency that is willing to do that, you know, that is fine. As far as the developers go, we don't want to be in housing business, no, we don't.

Ms. Yukimura: Well, and, you know, we manage our rentals presently like Kalepa and Pa'anau with a contractual management company (property management company).

Mr. Shigemoto: Right.

Ms. Yukimura: And in the case of coops, it is like a condo association. It is actually managed by a board that includes... if it is set up well, not just the

residents, but some people from the outside who have expertise in property management or/and have... represent the communities interest in that limited equity coop.

Mr. Shigemoto: Right.

Ms. Yukimura: So it wouldn't... in both cases, the private developer doesn't have to manage it.

Mr. Shigemoto: Okay, no, that is clear.

Ms. Yukimura: Thank you.

Mr. Shigemoto: Okay, thank you.

Ms. Iseri-Carvalho: Tom, how were you guys going to manage your 99 year buyback? You guys are the company that is going to manage that with Kukui'ula?

Mr. Shigemoto: I believe we have to, so we are working on that right now and believe me, it is a lot of discussion on what... how we are going to do it? What management structure? And whether we get involved with the independent management, you know, company or what, but we are still trying to figure out percentages of rentals versus sales, you know, so those things will need to be worked out soon and we plan to meet with the Housing Agency pretty soon.

Ms. Iseri-Carvalho: JoAnn?

Ms. Yukimura: I just want to add that, you know, during the discussions, I mean, the other option was a cooperative which you wouldn't have had to manage at all.

Mr. Shigemoto: Let's not go there. Let's not go there anymore.

Ms. Yukimura: Well, that was a decision point, but you are right, we are on the other path.

Mr. Shigemoto: Yes. We will get 75 units up by 2009.

Ms. Yukimura: 2009, good, that will be wonderful. Thank you.

Mr. Shigemoto: Anything else?

Ms. Iseri-Carvalho: Questions? No, thank you Tom.

Mr. Shigemoto: Thank you.

Ms. Iseri-Carvalho: Tracy Nagata.

Ms. Nagata: Good afternoon, my name is Tracy Nagata and I am with D.R. Horton Schuler Homes and first want to say, again, thank you for the opportunity to have a healthy... what I think is healthy discussions that have been occurring for an affordable policy that I think it sounds like everybody is on the same page as far as what the goal is. To adopt something that is going to work and it is going to get housing built and how we get there is always the toughest question. There is no silver bullet and if there were, we wouldn't all be here today. So I appreciate the healthy discussions that have been arising. I think there is like a format to this, so I think I am going to point out the good things about what I have been seeing so far in addition to the healthy discussions and the amendments and the discussion of a lot of the amendments that have been taking place. I believe Ken mentioned earlier today that he is contemplating an amendment to delete the commercial and industrial requirement for affordable housing and I think that is a good thing. We are not commercial or industrial developers, but just from a pure standpoint that I think, you know, commercial and industrial developments hopefully will spur job growth and job... employment diversity that I think everybody agrees is a good thing for every County. I also think... I think there are more alternatives that were added into the proposed bill that I think is a good thing. Again, I have always mentioned that flexibility is, I think, the key to the success of a bill. Every project and every development that every developer looks at is different. Even the ones that we look at, just has... from our business profile on how we do business and the more opportunities we have to explore different ways of creatively solving the problem to get a project built is for the better for everyone.

Another good thing, I think, partially that I agree with is the... I believe in looking at the latest revision that was handed out a couple of months ago is that the sales and marketing period looks like it got reduced in days. I think at one point it was going past a year and now it is at 180 days which is good. However, the way I read it and I believe the trigger date or their start date from which the 180 day time period occurs, went from an early period of start of sales to, I believe, end of construction of the unit (if I am reading this correctly and please correct me if I am wrong) which arguably would make the sales and marketing period or the length in time that a developer will need to potentially hold onto a unit that is unsold quite long (six (6) months)... I believe it is 180 days after the completion of construction of the unit. So I know Ken mentioned that they were contemplating timing of the sales and marketing period which I think is a good thing because I think as we have heard today, timing is really your key and if we can consider starting the sales and marketing period earlier, that would help. For example, I think the first notice to the mortgage ready homebuyer list for the sales of the project is approximately 10

months before the construction of the workforce housing unit is complete, but no earlier than 30 days before the start of vertical building construction. I think in our perspective, it is a bit late in the game for a number of reasons. If we were building single family homes, for example, detached dwellings, you know, the market kind of dictates how you go out... go out to sales on a project as everyone knows and say in this market today, what might happen is that we would like to offer the homebuyer, affordable homebuyer or a market homebuyer the same options that would be for sale. So if they wanted to buy a home with a covered... extended covered lanai or an extra bedroom or whatnot, we would like to do that because it offers the buyer more options and more selections. Those kinds of options affect the building permit and I am kind of speaking a little bit in practicality or processing terms because that is kind of what part of my responsibility at D.R. Horton, so we were going to just send out the notice 30 days prior to vertical construction, and then actually go out to sales. We would like to contract with a buyer, have them pick their options and then we will need to go in for our building permit depending on what kind of structural options they have chosen and building permit would get processed through the County, hopefully, quickly and then we could start construction. I would imagine that span of time is at least a good three (3) to four (4) months possibly. So I guess it would... another reason why I think that should... needs to start earlier is what Ken had mentioned is that certain financing is dependent on sales and sometimes whether it is... you need to sell 50% of your units prior to start your funding and start of construction. If is starting no earlier than 30 days before the start of vertical construction, it is going to be a bit tough. I guess it would eventually push back vertical construction, so I guess one revision that might be contemplated is taking the program that was set out and I don't think there is anything wrong with the program itself that was set out (the sales program) and how you want to make sure that you prioritize sales to the County's mortgage ready homebuyer list and then there is another list and it is called the developer's selection list that has different criteria and different priority. I think that is fine and I think it is a good start on making sure that the right people are given priority to purchase. I think I am saying, maybe just take that overall time period and shift it a little forward, so that we can start a little earlier, so that we have time to go through these lists. Another practical thing that we found in going through a list of homebuyers that either have numbers and where we offer the first house to number 1 and then number 2 is that we will offer the first house to buyer number 1. They don't usually pick the house that they want that day because it is a big buy, it is a big purchase, it is an emotional purchase, and they don't want to think about it and they may be looking at other projects as well because they are going to be on other affordable housing project lists (sales list). So it may take them a week or even longer to come back to us and say, okay, I want to buy lot 6 with house 2 or whatever it is. But in the meantime, we are not allowed to go to number 2 because number 2 may eventually... I mean have the potential of picking before number 1 if that makes any sense. So the process can take a while and that is fine. Let it take

a while, but just let us start a little earlier, so that we can accommodate for the time that we need to do it the right way.

Ms. Iseri-Carvalho: And, Tracy, what would be your suggestion that would be something reasonable regarding the time?

Ms. Nagata: From our perspective... from my perspective and from our experience, for a single family type of development, at least maybe six (6) months prior to start of vertical construction, maybe more. Others might have different opinions if they have different financing requirements, but at least that gives us a little more time to talk with the homebuyers, get them... make sure that they are comfortable with the selection they are making, get the permits that we need, and then start construction.

Ms. Iseri-Carvalho: Questions? Councilmember Yukimura?

Ms. Yukimura: So, you know, the present framework is 10 months before and no earlier than 30 days. You would say something like 10 months before and no earlier than 120 days? Is that...

Ms. Nagata: No earlier than... yes, I am interpreting no earlier meaning, no earlier than 30 days meaning I can't start 31 days prior.

Ms. Yukimura: Right.

Ms. Nagata: Is that right?

Ms. Iseri-Carvalho: 29.

Ms. Nagata: That is how I interpreted it.

Ms. Yukimura: So let's get back to what you wanted. You want more time to work with your buyers?

Ms. Nagata: To start the sales and marketing period earlier.

Ms. Yukimura: So no earlier than 30 days before construction, so no earlier than (inaudible) 30, 31, 32, 33.

Ms. Nagata: Right.

Ms. Yukimura: And you would like to be able to start it...

Ms. Nagata: Earlier.

Ms. Yukimura: Like three (3) or four (4) months before vertical construction.

Ms. Nagata: Sure, yes, and maybe Ken might be able to shed a little more light on how these timelines came about. I guess maybe another option is to just say, approximately 10 months prior to construction with no earlier date, so that it gives other developers... I am not sure what, you know, their preference on timeline is, but other developers the choice on when to start sales. I don't know if there are any negative impact on starting too early.

Mr. Bynum: So if you could start earlier to work with the buyers, the question that I would come up with is, the 90 days. You know, we want to offer to intended buyers first, right?

Ms. Nagata: Right.

Mr. Bynum: So if you started the process earlier, you might have... if you started it six (6) months before vertical construction, you could go through the 90 days and be into the next buying tier. What if you could start the marketing sooner, but you had to stay with the intended buyer until 30 days before vertical construction, would that be an improvement?

Ms. Nagata: Can you explain that again?

Mr. Bynum: Well, we have this formula, right? Where we are saying, here is the intended buyer at this income level and we are going to try to give you people who are qualified and if you go 90 days and you don't sell, then you can go to the next higher level income buyer. So if you started the sales process with the intended people sooner, right, maybe that would be longer than 90 days and that the 90 days didn't start ticking until 30 days before vertical construction, so you have more time with that intended group. But then when you got... do you know what I am saying? If you moved that weight forward and get an early start, I like the idea of people having options and all of those things that, you know, you are still three (3) or four (4) months away from the beginning of vertical construction and you have gone through your 90 day period and you have moved onto the next level, you know, and you haven't even started anything in the ground yet. So if you could start marketing sooner, but the 90 days for that first group didn't start... so maybe more than 90 days with that.

Ms. Nagata: Oh, I see.

Mr. Bynum: You move that up sooner, get you going, but you still keep it in that income group and tie that... ticking of that clock to the beginning of vertical construction.

Ms. Nagata: I guess a question that I would have is, what is the nexus of tying the first income group to the start of construction or is there one?

Ms. Yukimura: Madam Chair, can we maybe ask Mr. Rainforth to come forth? It might be a useful discussion.

Ms. Iseri-Carvalho: Yes, if it is okay Tracy.

Ms. Nagata: Yes, sure.

Mr. Bynum: You will come back Tracy?

Ms. Nagata: Sure.

Ms. Yukimura: And you could even stay right there.

Ms. Iseri-Carvalho: You want to ask your question of Ken?

Mr. Bynum: I am curious about... I had already written down a question for Ken about...

Ms. Iseri-Carvalho: Let's stick with the question that relates to Tracy.

Mr. Bynum: It does. What is the rationale for the 30 days prior to vertical construction? What is it that you were trying to achieve by that? I think I know the answer, but maybe it will address Tracy's question.

Mr. Rainforth: All of the timing is based around the completion of the units. What we think we see or seen in the past is units are marketed very early. The intended target group is intended to make a commitment before there is any construction at all, then we move onto the next group. The intended... what Tracy is suggesting, the intended target group needs to make a decision and stick in there and a year later, you are going to be ready to move in. That is pretty difficult for a lot of the income groups we are trying to address, so what I am trying to do is try to get the marketing times for the individuals closer to the completion of construction, so they can at least see some construction activity before they make a commitment. But I understand that for the financing of the project, a developer needs to get in touch with the potential buyers, so they know who is interested, but I think it is too early to make commitments and start sending sales contracts.

Mr. Bynum: I think that is kind of the answer that I expected and because what you said, Tracy, it is a very big decision, it is an emotional decision and, you know, when it is that far away, you know, it doesn't seem as real as it does when all of a sudden you see the lots going in and, you know, the infrastructure and then you have a real clear sense. So, you know, I was trying to find a solution that worked out both. Allow the marketing to begin with the intended group, you know, way in advance, but don't click the 90 days until this time which I think would address your concerns which I share that...

Mr. Rainforth: Perhaps a way is to do... promote the project in advance, so you can achieve finding who is interested, but for no income group to be making decisions until later on when construction starts or almost starts.

Ms. Iseri-Carvalho: Is that okay with you Tracy?

Ms. Nagata: Say that again.

Mr. Rainforth: To have the developer promote the project and start talking to interested individuals without requiring any commitments to be made. And then when construction does start, to ask the income groups in their respective order start making commitments.

Ms. Yukimura: Would that work?

Ms. Nagata: I agree that when sticks... what we call sticks go up in the air, you know, people get excited and they know it is real and, you know, I hope that when D.R. Horton puts their name on something, people know that we are going to build it, but understanding that that sometimes doesn't occur in every development. I understand that holding people, I guess, for an extended period of time in escrow or in a contract may be a bit tough for these buyers. I guess if that is the premise and that is the direction, then what we are asking developers to do is to start and, I guess, if they can get their construction financing before any sales contracts are actually executed, to start construction without any sales (contracts in place)... go off of a buyer, an interested buyer list and then hopefully by the end of the 180 day period I believe it is from the start of construction, that all units will be sold. Because, right now, if the demand is there... affordable housing, then it shouldn't be a problem, not a problem, but at some point, we may get to the... a place where the supply has met the demand or the demand in that area, it could be that area of where you are building or it could be in the median income range. There are all different factors that go into that, but if we get to that point, I believe the way the language is written is that after 180 days after the completion of the unit, is that correct? Completion of the construction of the unit, then the developer can go out for market sales. So we would theoretically have to hold the unit unsold, but completed for six (6) months before we are able to then go out to mar...

Ms. Yukimura: If the market is bad.

Ms. Nagata: If the market is met.

Ms. Yukimura: If the market in that... in those restricted groups is not good or...

Ms. Nagata: Is not there for whatever reason. As Ken mentioned, at Hookena, we had, I believe, two (2) 60 day periods. Is that correct?

Mr. Rainforth: I think so.

Ms. Nagata: Yes, and we sold about half of the units, I believe, in the first 60 days which was income restricted Kaua'i resident first time homebuyer and then the second 60 day, we sold more units which was just Kaua'i resident and no income restriction and then continued. After that second 60 day period, continued to sell in that period for the rest of the project, so there are buyers at Hookena that potentially could own another house, but they are owner occupant, so they live at Hookena. But in other words, they are within the income, affordable income range that we were targeting, all 56 units weren't sold in that range.

Ms. Iseri-Carvalho: And Tracy, I think this brings a point that Councilmember Rapozo was raising earlier that we are trying to get some kind of an analysis of how much units are actually are being sold to the intended purchasers. And, you know, basically, the most current housing project that we have is Hookena, so that seems to be, at least for me, some kind of reflection of what the market is like. I think Council Chair Asing brought up about the demand. I mean, there is a lot of demand, but not necessarily for that type of structure which is multi-family. I believe the entire Hookena is multi-family.

Ms. Nagata: Correct.

Ms. Iseri-Carvalho: I don't know if you were able to get the numbers for me as to whether... was it preferenced because of the structure, was it the location, was it because they were so closely built. It wasn't, you know, the 10,000 square foot lot, but that... or was it that we don't have people in that income that are mortgage ready. Were you able to get...

Ms. Nagata: Yes, in speaking, I didn't get any hard numbers and I am trying to compile that with our Sales Department if that is possible, but the majority of them (a good portion of them) either cancelled or did not qualify. And they cancelled because of reasons... they weren't eventually mortgage ready or they would be mortgage ready and then go out and buy a car the next week or other

things. So I think with the homebuyer education process, that will help certainly and maybe the buyers will show up in the income groups that you are targeting and units will be sold in a timely manner. You know, this sales and marketing period, we would never get to the end of if that is a good thing and a bad thing I guess. But just trying to put in, I guess, a little more flexibility should the market change or should the supply meet the demand such that developers wouldn't be required to hold a finished unit or a finished house or a townhouse or whatever it may be for six (6) months before we can then sell it. I mean, arguably, I think any developer would like to be able to close the unit, you know, around the time we complete construction of it, so we don't need to hold inventory and pay interest on our inventory.

Ms. Yukimura: I have a question.

Ms. Iseri-Carvalho: Hold on. Tracy, just to follow up, were you familiar with the SMS study?

Ms. Nagata: No, I did not, am not.

Ms. Iseri-Carvalho: Again, you know, we look at the multi-family units in that range and it does appear that the demand which, you know, was 17 (change side of tape)... of the supply that equated to that was like 62%, so it does appear that, you know, the supply exceeded the demand which could possibly explain why, you know, they were being sold to people who were not in that income group, but they got the benefits of affordability.

Ms. Nagata: Sure.

Ms. Iseri-Carvalho: You know, and so it was fortunate for them. Councilmember Furfaro has that, so, you know, it is quite interesting how it does kind of look like that is what the picture seems to be currently. Councilmember Bynum?

Mr. Bynum: At Hookena, was there... because you had kind of condominium type units and duplex units and, you know, I spent considerable time talking to your sales person that day at the opening and I was on the side and it was really exciting to see local families who were very thrilled about being homeowners and workforce people. But was there a difference between the demand for the duplex units as opposed to the condominium style units? Did those go at a higher percentage to the intended income? Those would be interesting questions.

Ms. Nagata: Those are interesting questions and I would... without speaking in detailed fashion with our sales team, I would generally say that there is always a more demand for the larger units and the townhouses. The townhouses at

Hookena, in this case, were larger. There is always the... I don't want to say reality, but the reality that some of them are seeking something larger than they can afford.

Mr. Bynum: Right.

Ms. Nagata: Which is sometimes... not unlike those wanting a single family home on a 5,000 to 10,000 square foot lot. I think everybody wants that, but I don't think everybody can afford that.

Mr. Bynum: I am thinking of all the homes that I have lived in over the years. There is something psychological about even a very small yard space. I mean, 10 by 15, you know, and the way those duplexes were designed, is very small yard space, but they were designed, so it felt detached even though it was attached.

Ms. Nagata: Uh huh.

Mr. Bynum: And so even at smaller lot sizes, creative design could help accommodate that.

Ms. Nagata: Sure.

Mr. Bynum: I would think, so it would be interesting to see those numbers. I realize that those were the cost of your units as well.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: Related to that in our quest to understand preferences and cost and how they all interact, I mean, even as between multi-family units, if there were larger green spaces around and I did drive through because I couldn't get there in time for the ceremonies, but I did go afterwards and I don't know if there is any real big park space, community gardens or those kinds of things which, if a multi-family unit had those things, they might be more desirable or as desirable as a single family house that cost more.

Ms. Nagata: Uh huh.

Ms. Yukimura: You know, so, I mean, it really is true that we are... and, you know, I think we have to look at what we have done in Puhi in terms of the densities there. It is a matter of... that we are not just building units, but we are building a community and what that larger context is I think. Because I think multi-family units in a really well designed community with open space, bikeways, community gardens, you know, close to schools and yours is close to school and that is wonderful, might have a different draw than ones that don't.

Ms. Nagata: Sure, and I think every community has different preferences. I think people on O'ahu are obviously more in adept to living in condos because that is all there is, right? But here on Kaua'i, I would imagine, like the study shows, more people want single family. You know, there is something to be said that even if you were a market... if you were above all of the affordable income level requirements and you were able to afford something at market rate, usually, your first purchase is a townhouse or an attached product. I am not sure whether that is the case here on Kaua'i.

Ms. Yukimura: I don't know if there are that many options.

Ms. Nagata: So if there were the options... if the options are going to come onto... if people are going to be building affordable attached homes because we are going to, hopefully, be providing, I guess, a variety which is always good, then they will be a market attached to be sold with that because of the integration of the affordable.

Ms. Yukimura: Can I ask another question?

Ms. Iseri-Carvalho: Yes.

Ms. Yukimura: In your marketing, are you seeing any preferences expressed by the elderly group because we are an aging population and we are going to think about... we are going to have to think about providing for that sector as well and I am just wondering what the market looks like now or whether there are any signs of some shifts because of the older buyers.

Ms. Nagata: Sure, that is a good question and something that is, you know, currently discussed quite a bit because the baby boomer population is quite large and we are finding that more and more. The buyers of that age group are looking for smaller units, so they don't have to maintain as much single story type of units or if it is two (2) story, they want to have a bedroom or their master bathroom... master bedroom on the ground floor, so a lot of design things that are shifting towards that segment of the market. Certainly, they are not looking for... some of them are not looking for a big yard to take care of. You know, they are looking at condos because the maintenance is included in your dues and your maintenance fees. The less they have to maintain, the less of a... I guess a chore or a burden it would be for them.

Ms. Yukimura: Which raises the question of whether we should give an incentive for single family houses or whether we should leave in neutral to give the developer some flexibility in terms of looking at the shifting market because, I mean, I think Councilmember Furfaro raised that issue of the elderly in Kilauea

and that is a very rural community. Even there, they are looking for smaller units, not as much maintenance and they will be vacating, then, you know, single family houses that would then be available for the younger generations. So I am a little concerned... and I am thinking, maybe in the smaller developments, we give some preference to single family, but in the larger developments, we stay neutral, but that is just the question. I don't know where I even come down on that although smart growth would say, you would at least stay neutral or you would encourage more dense.

Mr. Nagata: Right, good question. You know, from a development standpoint, developing single family detached affordable housing is much harder than it is multi-family. I think everybody knows that, so if there is an incentive whether it is additional credits or some kind of bonus into single family, I mean, I think that is at least worth a discussion. I believe if I look at Ken's outline concepts here, it looks like that is what he was driving at. He was trying to give more of an incentive, so a less of a requirement for single family detached. How that works in the... I guess the three (3) different size developments, I am not quite sure I have to... I think we have to all take this in and digest it a little more, but I think, again, the effort to create more options and more flexibility is good that Ken and his office has taken.

Ms. Iseri-Carvalho: Question?

Mr. Bynum: You listed some of the things that you thought were kind of good news or changes that made it more flexible and, you know, when I looked through it, I guess from your perspective, you know, there were a couple of others. The initial bill required all workforce housing to be on site. This bill starts with the assumption that the workforce housing is off site and gives incentives if you put it on site, so I think that, from your perspective, would be good news as well.

Ms. Nagata: Sure.

Mr. Bynum: Also, these other incentives are reduction to develop on site developed workforce, the single attached or detached that people want their incentives for that, right?

Ms. Nagata: What page are you on?

Mr. Bynum: On the front page of Ken's handout and then there is a lot size incentive later in the handout, right? So...

Ms. Nagata: I don't think I got a copy of that.

Mr. Bynum: The last bill kind of started with somewhat rigid, you know, on site.

Ms. Nagata: Uh huh.

Mr. Bynum: Now this is saying, we are going to assume it is off site and give you incentives or make it right.

Ms. Nagata: Uh huh, sure.

Mr. Bynum: So...

Ms. Yukimura: Did you only get the tables?

Ms. Nagata: I did in my handout.

Ms. Yukimura: The conceptual narrative?

Ms. Nagata: No.

Ms. Iseri-Carvalho: Which conceptual narrative? Ken's narratives?

Ms. Yukimura: The first three (3) pages of what we were given.

Ms. Iseri-Carvalho: Well, I think those were Ken's notes, so I don't know if that was intended to really to be passed out.

Ms. Yukimura: So...

(UNKNOWN): It is public record.

Ms. Iseri-Carvalho: Well, you know, I think, you know, you look at the first sign and it says, Housing Agency amendments not ready, sorry. That wasn't intended to be passed out to the community, okay. So, I mean, if you want to make an issue of it, we can discuss this off the record, but what I am saying at this point is that we need to ask... this was my notes and, actually, it was passed out for me from Ken. You guys got it, it was his own personal notes and it wasn't intended to be passed out. So if we can get his permission from it, if not, I am not going to pass it out.

Ms. Yukimura: Madam Chair, that is fine. Maybe we should maybe ask Mr. Rainforth. The reason why I asked about it is because it contains the concepts that are...

Ms. Iseri-Carvalho: And he explained those concepts and if you guys want questions, he can explain it as well. He doesn't need to write it all down for everyone. Everything that is contained in here is things that he went over.

Ms. Yukimura: But I kind of understand the confusion expressed by Mr. Shigemoto if they only got the...

Ms. Iseri-Carvalho: I guess I don't because I think Ken explained what those were and if there were some confusion, he can come back and explain it again, but unless Ken agrees to pass out his notes which I think is his personal notes. I don't think... I mean, it was nice of him to share it. This was actually something he was going to testify from, so...

Mr. Bynum: Can we ask Ken?

Ms. Iseri-Carvalho: I am going to ask him off the record. I am not going to ask him right here in front of everybody. If you don't like it Mr. Bynum...

Mr. Bynum: I think this should be made available. I thought it was and that is my opinion, so...

Ms. Iseri-Carvalho: Well, that is only your opinion.

Mr. Bynum: Yes, that is my opinion.

Ms. Iseri-Carvalho: Is there any other questions from the community? If not, thank you.

Chair Asing: I have a... I guess, you know, Hookena, let's see, what is that, 56 units?

Ms. Nagata: Correct.

Chair Asing: And so what do we have in that 56 units? Are there different types of make up on units?

Ms. Nagata: Uh huh.

Chair Asing: What is the breakdown?

Ms. Nagata: Oh, the breakdown. We have all multi-family, so they are all multi-family attached. We have one building type that has 12 units on it and they are what is called stack flat units which means there is a single story unit on the ground level and there is another single story unit above it, so...

Chair Asing: Okay, of the 56 units, how many buildings are there?

Ms. Nagata: I believe there are seven (7) buildings.

Chair Asing: Seven (7) buildings?

Ms. Nagata: Yes.

Chair Asing: So seven (7) buildings and... so the seven (7) buildings make up the 56?

Ms. Nagata: Uh huh. There are fourplexes and twelveplexes.

Chair Asing: And the 12 that you were talking about, what is that again. You want to explain that again.

Ms. Nagata: They are called stack flat condominium units where there is a unit on the ground. There are six (6) units on the ground level and they are all single story units and there are six (6) single story units on the second floor.

Chair Asing: Oh, I see. So it is two (2) story then.

Ms. Nagata: The building is two (2) story, but the unit itself is one and then the fourplex at Hookena is a townhouse type of product where there is four (4) units that sits side by side and each of them are two (2) stories inside the unit.

Chair Asing: It is like the 12, but it is four (4) smaller buildings?

Ms. Nagata: It is a smaller building, yes, there are larger unit sizes, so I believe the 12 and taking this off the top of my head is about a thousand or so square feet (the twelveplex unit sizes) and then the townhouses are a little larger like 1,200 to 1,300 square feet.

Chair Asing: So there is 12 and then there is the fours and what else you have over there?

Ms. Nagata: That is it. There was two (2) different building types, yes.

Mr. Furfaro: But you did say, just to clarify for the Chair, the fourplex building, the living space is up and downstairs.

Ms. Nagata: Correct, within the unit.

Mr. Furfaro: The twelveplex, you are all on one floor.

Ms. Nagata: Correct.

Mr. Furfaro: The living space is second floor or first floor, right?

Ms. Nagata: Correct.

Chair Asing: Okay, and which ones are not selling?

Ms. Nagata: Oh, they have all been sold. As far as if you are asking as far as what the preference was, I have to get back to you on that. I will confer with our sales team and see if they come up with some kind of percentage or numerical equ...

Chair Asing: At the present time, all of the buildings have been... the units have been sold?

Ms. Nagata: Uh huh, and in then in some instances sold twice because people have cancelled for various reasons, so we have resold them which is very common.

Chair Asing: But they were not sold to the targeted income group that you first targeted, am I correct?

Ms. Nagata: About... as Ken mentioned, about 50% initially was sold at the income targeted group and then when we exceeded that sales period, then we went out to Kaua'i resident basically (first time homebuyer, Kaua'i resident with a six (6) year buyback).

Chair Asing: Okay, I tell you what bothers me. What bothers me is, supposedly we have this housing crunch and we had... and we've been in the housing crunch for a long while and all the reports say that. Okay, so we build these units for this group and we can't sell it to this group, so something is wrong. Something has got to be wrong because we got the crunch, we build the units and we can't sell it to the group that this was designed for. So I, you know, it just puzzles me what is wrong. Something is wrong. Statistics maybe wrong, but I don't know what is wrong, but it just bothers me. Someplace, somehow, it is not adding up to what it should add up to and that just bothers me. Anyway, you know, let's put that on the side now and I am sure somebody has to come up with some answers though because if we take this as an example, all the things we are planning for now is all going to be shot to pieces too. So we are planning for something that we know we planned here, didn't work out, so we are doing the same thing, again, and that just bothers me. With that, put that on the side now and let me ask you about the Hanamā'ulu Triangle. Where exactly are we on that project?

Ms. Nagata: In March of this year, earlier this year, we received our Class IV zoning use approval and since then, we have been working with the different County agencies as well as Grove Farm (our partner) who we bought the property from on meeting some conditions, zoning conditions that were put on the project when it was rezoned back in the 90's I believe. So we have been working through some infrastructure issues and we have been making some headway, and so we are hopeful that come middle or early to middle of next year, we will be able to at least start site work on our first parcel.

Mr. Furfaro: Was that the wastewater question I asked earlier?

Ms. Nagata: Right, we have been working with the Wastewater Department, Ed Tschupp, on some issues that revolved around infrastructure to the site.

Chair Asing: How long have you been working on that project?

Ms. Nagata: Um...

Chair Asing: Yes, um, that is what I want to know.

Ms. Nagata: We submitted... if I have to think back. We submitted our Class IV zoning use approval for that project back in, I believe, October of 2005.

Ms. Yukimura: 2005?

Ms. Nagata: I believe so, so it has been a while.

Chair Asing: That is another thing that bothers me. It is crazy, it is nuts and I just don't understand, you know, what in the hell is happening? Who is doing or not doing something and the only reason I... if I seem a little frustrated, you know, I know what we did when we had planned the Hanamā'ulu project. You know, and it was no secret as to what that was designed to do. You know, and then I know that were to supposed to get moving on it and then, you know, now when I hear, you know, October 2005 and, you know, and it still where it is now. I don't know when you are going to get off the ground too and I am not blaming you, you know, but somehow and I hear this fast track group supposedly that is fast tracking, 2005, there is a fast tracked group? You know, and I don't know if I can blame the fast track group, but something is just not right.

Ms. Nagata: Understand and, you know, obviously, we would like to proceed, you know, as timely as possible. I think there are a lot of factors with this project that needed to be and still need to be resolved. That is a function of zoning

conditions when parcels are zoned at the LUC level and at the County level, you get a myriad of conditions that need to be worked out. You know, some of those infrastructure, some of them deal with affordable housing which is one of the conditions that need to be fulfilled and an affordable housing agreement for the Līhu'e/Hanamā'ulu masterplan area. So that is something that is... that is another hurdle that Grove Farm and D.R. Horton will need to get over with the Council, I guess, because it will be brought to the Council for approval. Infrastructure is another issue that always needs to be dealt with and that is very complex.

Chair Asing: What kinds of problems are you encountering on infrastructure?

Ms. Yukimura: Sewers.

Ms. Nagata: Sewer capacity. We have been working closely with Ed Tschupp and his Wastewater Division and have actually made progress on that measure and Ed has been really good at thinking outside of the box trying to see what we can do to get our project started. And so I don't want to point the finger at him.

Ms. Iseri-Carvalho: Are you finish Chair Asing?

Chair Asing: I am. Thank you.

Ms. Iseri-Carvalho: Okay, who is next who held up their hand?

Mr. Furfaro: She said sewer capacity. I brought this up in my earlier presentation when you weren't here. There are two (2) parts. They are addressing the capacity in Līhu'e, but the issue in the Hanamā'ulu Triangle, I understand, is transmission line.

Ms. Nagata: Transmission capacity.

Mr. Furfaro: (Inaudible).

Ms. Nagata: Right, I meant transmission capacity, correct.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: Yes, I think we've seen that in our own infrastructure planning, the County is really behind whether it is solid waste or sewers or water or that kind of thing and when the overall framework for infrastructure is not there, it is really hard for individual developers to hook into the system because the larger system is not very rationally set up. You know, I think one of the ways we can help

that is by doing good planning and one of the ways is by saying, urban growth boundaries were only going to really sewer or put infrastructure in this area and we will do it... I mean, we won't ask the developer to do it all. We will do some of it too and that way, we could remove some of the stumbling blocks, but that is a long range planning issue. But if we could concur that, everything would be so much easier for us who are trying to get affordable housing on the ground and for the developers who are trying to get the mix of housing on the ground.

Ms. Iseri-Carvalho: Councilmember Bynum?

Mr. Bynum: I just want to address what Kaipō or Chair Asing's first comment about getting qualified buyers at the intended market. As I mentioned, I had a long talk with your sales and marketing people. I had a real sensitivity to how much work they go through and how much they act in a caring manner toward these individuals that come before them. But a lot of the answers were heartbreaking ones that these people in this income, they have to live on Kaua'i now. They have to pay inflated rents now. They have to pay the high cost of living now and child care and struggling with all of that, they've got themselves strapped with consumer debt for instance. So, you know, there are multitude of factors and, you know, others, there were bad decisions. They bought a F150 and had a huge car payment. Many of them was that they are just struggling to survive and the current inflated cost and rental market, so it was a struggle to qualify those folks through no fault of their own. I know the person I talked to was heartbroken at times... he worked with families to try and not be able to get them there, so I just tried to answer that question Kaipō. It is not so much the system, it is the reality of folks, that is why giving you more time to qualify those individuals and doing herculean efforts, I hope, on our behalf, to get people mortgage ready to give them assistance with that. You know, so when those come on line, they can get there, right? Did I characterize that appropriately Tracy?

Ms. Nagata: Yes.

Mr. Bynum: Thank you.

Ms. Iseri-Carvalho: Are there any questions of Tracy? No, you have a question?

Ms. Yukimura: Well, yes.

Ms. Iseri-Carvalho: Okay, we are taking questions now.

Ms. Yukimura: So were you here when Councilmember Iseri-Carvalho put these graphs up on the... so is it possible also and there is never one factor only that this issue... this fact or the result shown here in the survey that

Mr. Danemiller did (SMS)... anyway, shows that 62% of the supply of multi-family units is in the 140 to 180 of median income range which may also mean an over supply issue in multi-family units and I know this is not complete data because we don't know all the numbers. But, whereas, the need is 17% and the supply 62% and if we were to... if these homes had been in the 80, you know, 100% to 80%, there might have been a lot of buyers, who knows?

Ms. Nagata: Right.

Ms. Iseri-Carvalho: So that is another issue tied in and then on top of that, you have the issue of mortgage ready which is a problem, but I am glad that it is a problem that we are consciously addressing.

Ms. Nagata: Sure, and I think too, maybe try and answer Chair Asing's concern or to add to it is that, you know, it is hard to sit here and say, you know, Hookena is a perfect example of how this policy could or could not work. There are so many factors that go into sales whether it is affordable or not, whether people want to live in Puhi or not, or in an attached or not, or a variety of reasons. So, you know, I stress... I strongly feel that the more flexibility that can be put into a policy, so that, you know, the most creative and meaningful solution can come out of it per project because the solution that works at Puhi may not work in Lihu'e or Waimea or anywhere else. At least, that will allow the market to play a factor into the policy where the demand is can be where the target is or... you know, I think you can do as many studies as needed, but, really, the test all, prove all of what the market is and when you go out to sales and that is pretty late, you know, in the game. So the more flexibility we have to fulfill affordable housing, I think the better and one more thing on infrastructure, JoAnn, you are exactly right, infrastructure is a problem everywhere in the State. On any particular project, again, it could off site infrastructure and there is off site infrastructure and on site. On site, given that is going to be taken care of by the project because it is a new development. Off site infrastructure, however, can be quite significant, can be quite substantial and there is, you know, in my opinion, improvements to off site infrastructure has a benefit to not only that development project. But I think to the County and to the people in the surrounding area to future land in that area that may use those sewer lines or water lines. So if a land dedication that is contemplated in this proposed policy remains which I think is tough, but if it does remain and the requirement for it to be infrastructure ready, basically, to the site remains, then maybe there can be some consideration to the developer for credits. Meaning that, if they put in a million dollars worth of off site improvements, can they get in credit backs from facility charges, from water or sewer or whatever... other charges that, you know, are placed on a development.

Ms. Iseri-Carvalho: Questions? Councilmember Yukimura?

Ms. Yukimura: I presume that you are talking about on site infrastructure... I mean, infrastructure to land that is part of the development. You are not talking about credits for infrastructure that is... to land that is dedicated off site or were you talking about...

Ms. Nagata: Oh, you mean as far as the 10% land dedication whether it is on site or off site.

Ms. Yukimura: As far as the credits for the infrastructure to the property that will be dedicated, what are you talking about?

Ms. Nagata: If I see a development project has a requirement to upgrade water lines or sewer lines or put in water source... you know, if that is the case, then the cost to the developer to put that in... well, let me back track. There are two (2) ways that it could be handled. If they feel that that is a County responsibility to upgrade which you mentioned sometimes could be, then the County would proceed and do the work. Sometimes, I think it is acknowledged that that could take a long time depending on the current situation of budgeting. So... and then there are other ways that the developer is responsible to upgrade in order to get their project to proceed forward, upgrade an off site.

Ms. Yukimura: Well, that is normally how we have been doing it and that is a tremendous cost to the developer and what I have... the system that I have been thinking about is that we... the County would take on some of that responsibility if it was in areas where they want growth to happen. So that is what we would have to be real clear about and one of my concerns about putting growth away from the existing development is that you will start moving the development out to the cheaper lands outside the city boundaries or town... the defacto boundaries of the town and that is contrary to some of our other general plan goals of trying to keep compact development. So one way that could be win/win is if we are really clear where we want densities and development... we put that in and that will be a big help to developers, but because they are developing where we want to them to develop and then we are having mixed communities and to me that is really important that we have a mix of people in... you know, Mr. Davidson talked about this beautiful project in Kakaako that it was a mixed income development and I really feel like that is the Hawai'i that we are talking about and I would like to see that happen in a really win/win way if that is possible. So that is why my preference for on site and, I mean, for the affordable housing requirements to be on site, but I am also thinking that you are putting the infrastructure in anyway, so there is a economy of scales saving by doing that.

Ms. Nagata: Sure.

Ms. Yukimura: But you are right, that is a cost to the developer, but then if we take on the building part through a non-profit or through the County and as long as we make it an asset to the development because I think that is one of the con... that would be one of the concerns of the landowner/developer that, you know, it would turn into some kind of a stigmatized development and none of us want to see that. So I do see that there has to be... so there is also the option, I think it is in the proposal from Housing that if the developer wanted to do that... develop that dedicated land, that they would joint venture with a non-profit and do it and the County would pay them for the building portion of it, then they can ensure sort of some consistency of design and integration into the larger community and so forth. They can get the tax credits by joint venturing with a non-profit, so there would be then, a variety of ways that one could get to that goal.

Ms. Iseri-Carvalho: Okay, that seems to be all the questions for Tracy. Thank you.

Ms. Nagata: Thank you.

Ms. Iseri-Carvalho: The next speaker is Dave Arakawa.

DAVE ARAKAWA: Good afternoon Chair Iseri-Carvalho and members of the Committee. Thank you for the opportunity to present testimony on this matter today. We also like to express thanks to Councilmember Furfaro for his presentation and doing that work and Mr. Rainforth and his staff for looking at the policy and making revisions and creating more options and flexibility. You know, before I go into what we liked, what we didn't like and what could be changed, there are three (3) kind of issues that we wanted to set forth. That is, you know, what I think governs how we think in the landowner/development community about affordable housing. Number 1 is, what is the goal? You know, what will result in affordable housing to be built? What kinds of policies? What kinds of things can government and landowners and developers do to get more affordable housing built. You know, that is the goal. What will incent developers to build affordable housing? The second was mentioned several times by Mr. Davidson who has been in the business for over 30 years and that is flexibility. You need to allow flexibility to allow landowners, developers and the County to be flexible to take advantage of changing times, changing interest rates, those kinds of things. And, lastly, and this I should have said at the end, but we appreciate the Committee Chair giving us the opportunity to review the draft that the department is going to be preparing and the ability to make comments. We are still are not sure what is going to be in there, so we thank you for laying out the procedure Committee Chair and we will take advantage of that opportunity.

With respect to things that we liked, I think we liked the attitude and the, I guess the goal of adopting something that will work, adopting something that will

build affordable housing. We think the issue of credits is a good thing and we appreciate the work that both Councilmember Furfaro and Mr. Rainforth and his staff did on that. We think, however, that perhaps we are going to go back and take a look at it and make comments because certain portions of it might be confusing to some and, so we need to look at it. Councilmember Yukimura raised another point about, you know, stressing single family detached and it is not totally within the smart growth concept to build all single family detached. You might be looking at more density for the smart growth type of project and to give the developers a flexibility to do different types of project depending on the need. Like Council Chair Asing said, sometimes some people don't like attached housing or multiple housing and sometimes maybe they will figure out, if I want to live someplace, this is where I have to live, so, you know, that might change. Another thing that we appreciate is the intent to delete the application to industrial and commercial for now. I had submitted some materials and they are there to be passed out. The Big Island recently vetoed Bill 156. Bill 156 was meant to impose affordable housing on industrial projects. We wrote a memo and we gave it to corp counsel and we had discussions with corp counsel. Corp counsel advised the Mayor to veto it and veto it he did, basically on two (2) grounds. They needed a specific study on it and whatever proportion they came up, whatever requirement they come up with after the study has to be proportionate to the impact; there has to be a nexus.

Another thing that we appreciated and we felt was a good thing was the recognition that sometimes to do the best deal, you have to go off site and that was the presentation by Department of Hawaiian Home Lands and the recognition that, perhaps, perhaps in this policy, there will be an exemption for projects such as this. You know, if a developer wants to partner with DHHL to do an off site... partner with the State with Mr. Davidson to go off site, they won't be penalized. You know, their percentage of affordable housing units won't rise, so those are some of the things that we appreciate and we liked. The policy right now includes a density bonus and that is a good incentive, so others that I can talk about when I talk about possible changes. With respect to areas that we have questions about and we need to discuss further, we need to see the new policy and discuss further. That would include the mandatory, excuse me, the 10% land dedication and I guess we need to take a look at that and how that is going to be worked out in the policy. Also, the in lieu fee. I think we need to take a look at how that works and what went into those calculations. The other thing that we were going to take a look at was the percentage, the Housing policy for off site and I guess it is a way of... a perspective. A way of looking at a perspective. It is, I guess, 40% if you go off site and 30% on site, and you could say that, hey, you know what, before, you know, there was a penalty involved and if you didn't do it on site, you have a penalty for off site. Now, if you do it off site, it is 40%, but if you do it on site, it is 30%, so it is a matter of perspective. I mean, your father can tell you, you know, if you go out, I am going to give you 10 whacks with the belt, but if you stay home, I am not going to whack you. You know, or he could say, he could say it the opposite way around. So, anyway,

that is something that we need to look at that and perhaps, you know, in talking with the developers in the back of the room, they think the percentages... they need to work on those percentages and look at it. It looks like these percentages are rather high at this time, so they need to look at and they will be commenting later.

On the issue of sales restrictions, Tracy talked about it and the developers shared the same concern. The sale restrictions starts too late and last too long. A developer who conceivably hold the units for 180 days... we think that in this case, Tracy and her group are in the business of selling homes and perhaps they should be afforded the flexibility of trying to market it six (6) months before... as soon as they get subdivision approval, start marketing it. I asked the people in the back of the room, in regular projects, do you market it only when there is a stick in the ground and construction starts? They go, no, as soon as we get subdivision, we want to sell out all of the units early, so as soon as we get subdivision, we start marketing it and if we have a model home or whatever, people look at it, they want to buy, they buy. So I know it is your decision, but I think in listening to Tracy talk and the people in the back, perhaps that is one area where you may look at flexibility. If you give them a head start and from what it looks like DHHL is doing and the County is doing in educating new homeowners. If you give Tracy's group and the developers a head start, six (6) months head start or allow them to start earlier, perhaps that will get the units sold, people qualified, maybe, maybe not. But I think these people are in the business and they don't want homes sitting vacant. They want to sell them, so perhaps we should allow the flexibility to allow them to do their thing a little earlier. That is about it.

There are a couple of areas that we would probably talk to corporation counsel about and revising it. One is the applicability section and there are a couple of issues there that are similar to the issues that were raised in Bill 112, the Big Island Bill 112 which was also vetoed. That issue was whether... after you have your zoning, after you have your certain permits, whether this policy can come back and apply to you if you haven't completed all of your affordable housing units if you haven't built them up. So, you know, it is a retroactive kind of an issue, so that is something that we'll probably be talking to corporation counsel about. I think it is on the site... I have the old policy here, but, anyway, that is something that we will be working with them upon. It is on page 4, Section 1.4(c).

Ms. Yukimura: What are you referring to?

Mr. Arakawa: Oh, I am sorry, Bill No. 2202, Section 1.4, applicability, section sub (c) and all (change tape)... and on page 26 of 27 or I don't know what draft we are working with. Article 11, Section 11.1, there are two (2) sections that refer to people who already have permitting or whatever and going back and having this applied to them. And the only other issue is on page 5. Perhaps the definition

of the term developing entity and on page 10, definition of gap group housing or deletion of the term gap group housing depending on how you folks want to use it.

The last thing would be... that, really, what a lot of the people that are in the business talked about today, were incentives and you folks already have incentive bonuses in your policy, so that is great. I think in all the counties, I think you folks are the only ones that have something like that, but I am not sure, but I think so. Perhaps you might want to consider incentives subsidies, fee waivers and reductions or deferrals. So I am sorry Council Chair, but fast track permitting, but, you know, those are some issues that usually come up in affordable housing legislation. With that, those are the comments and we appreciate the opportunity to present them and we also appreciate the opportunity to take a look at the Housing Department's policy when it comes out and making comments. I did also submit a couple of articles and a letter on affordable housing. You can read it at your leisure. It is part of the record, so thank you very much.

Ms. Iseri-Carvalho: Questions? Hold on Dave. Councilmember Yukimura?

Ms. Yukimura: Yes, Mr. Arakawa, in terms of fast tracking, the problem is, even if we wanted to provide it, we don't know how.

Mr. Arakawa: Okay, and...

Ms. Yukimura: I mean, that is one of the problems truly, okay. But my question to you is regarding the marketing and sales part. The proposal I think from Housing, the latest one is talking about starting marketing 10 months before vertical construction. But you are talking about sales versus marketing? I mean, marketing in my mind is, you know, publicizing it and letting people know and maybe even having a model.

Mr. Arakawa: Sales.

Ms. Yukimura: But your point is that you should be able to cut some deals early on.

Mr. Arakawa: And I am not in the business, so people like Tracy, Tom, those people, would know more. I haven't sold a house. I just work with developers, so when they are telling me this is how they do it and this is... you know, I listen, you know, I kind of listen, so I cannot give you anymore information.

Ms. Yukimura: Because I am thinking that if it is in the sales bracket that we are in, I mean, the qualified buyers that we really want to serve, you know, doing it early might be okay, but I need to defer somewhat to Mr. Rainforth and the

issues that may arise from early commitments. I do know that, you know, some people that I am aware of, they wanted to even see where the driveway was coming in and there has to be some specifics in terms of really closing a deal. But I just wanted to be clear what you were talking about. You are talking sales rather than marketing.

Mr. Arakawa: Yes, and we all have people... friends like that where we ask them, eh, and they go, I not going buy until I see the thing come up. You know, we all have things like that, but you know what, look at the people in the business. Look what they do everyday. As soon as they get subdivision, they start selling, you know, that is how the business works. You know, when a guy fixes my car, I don't them, eh, you know what, my friend said, you know, a person had problems, so you have to do this other thing first before you do this. You know, I just let the mechanic do his job, basically, so that is kind of what I am suggesting. Just give them a chance and if it doesn't work, then go back to the other... it is just a flexibility kind of thing maybe, so...

Ms. Yukimura: Thank you.

Mr. Arakawa: And I am sorry, on Honolulu, they do third party review. I don't know how great that has been.

Ms. Yukimura: We are actually looking into that, but it is an area that we need improvement on.

Mr. Arakawa: Thank you.

Ms. Iseri-Carvalho: Councilmember Kouchi?

RON KOUCHI: If we assume that the percentages are going to stay firm and you look at the credit for a unit that you build and if you get a credit value of more than one for a single family unit or a credit value of more than one for units built below 80%, I would think that there would be an ability to make the percentages work.

Mr. Arakawa: Perhaps. I think that is something...

Mr. Kouchi: (Inaudible) would be a good credit formula to work to the percentage or vice versa.

Mr. Arakawa: Yes, Councilmember Kouchi. In fact, we are back there thinking, eh, we have to crunch the numbers and see what works with a known development cost... what the known development cost of housing on Kaua'i is, so

that is what they were going to do in the interim and make comments back to you folks.

Mr. Rapozo: I have a question.

Ms. Iseri-Carvalho: Councilmember Rapozo?

Mr. Rapozo: So what would you propose for that 80% group that Mr. Kouchi just talked about that you maybe have gotten two (2) credits for that house. But, now, that 80% unit is not sold at 80% because it rolled into the 100 and maybe part of that residue ended up in the 120. What happens to the credit? The developer got two (2) credits, the community got... didn't get two (2) credits worth, so how do you... that is why I am real cautious about that is we can make the project work to fulfill requirements, but are we serving the need. I think that is the bigger question and how would you propose? That is why they pay us the big bucks.

Mr. Kouchi: And we talked about this at an earlier meeting. The fallacy of past housing policy has been that it has been built at the direction of government. So government has made a predetermination and imposed that predetermination of a developer as part of the zoning compact. Now, when they actually build a project, it is not always panned out and government in turn, has relieved the developer of the obligation and I said if we are committed to this policy, then this policy takes money because when that unit becomes unsold, then we are supposed to buy that unit. And that unit is never lost and that unit is kept in perpetuity. We have not been committed to keep that unit in permanent affordability and we have not been willing to expend County dollars to keep it in the inventory, and, therefore, the developer has been relieved from a County imposed condition. So that is why I am saying as we are going forward on this thing and you put all of these policies that you say that are important and we want to do, then none of this is going to work if you don't put the money because it shouldn't be (inaudible) can go to the open market. It needs to be for sale for this period of time when at the end of the period, the County will buy that unit and that is the end of the story, but I have to put the money with the policy.

Mr. Furfaro: Actually, Mr. Kouchi, that was part of the earlier presentation. I said we need to start saving some money now for the projects that are coming up on the 10 year horizon.

Mr. Kouchi: And that is why aside, I don't know why we are pumping all that money into, you know, Kalepa or whatever... hard cash from the County when we either need to help people make down payments to purchase homes as the hurdle or start getting that fund when we can have, you know, private sector development build these units.

Chair Asing: If I may comment on that. While I agree with Councilmember Kouchi, I think I go back to my earlier comments on something is wrong because we had planned for that 80% and supposedly there was the demand. What happened now? You build it and the demand disappears? Something is wrong. Something is wrong and...

Mr. Kouchi: Was it Tim or whoever said... you get to the point, though, where you survey, you get the demand, and when you actually go to qualify the buyer, they cannot qualify to buy the unit. You know, and when you resurvey who in that income category still needs a house, that person is still going to appear in that category and they are still going to desire to want to have the house and then you are still going to bring them back to income qualify and they won't. You still have not had enough of a demographic change that, you know, we are still very regional. I mean, we still give each other heat about blue for Waimea, green for Kapa'a, red for Kaua'i High School. And, you know, where you went to school, you kind of want to live in where your family is and you hope you could buy a house there and then when something else opens even though you are a stud, you keep holding out hoping they are going to build that unit there. I mean, there is all additional factors in why some of these units wind up not being purchased and including that lack of market acceptance of townhouse units at a particular time. I think with the latest report about the growing numbers of Caucasians in the population, the demographics are changing and I think that acceptability is changing, but it doesn't appear from actual sales data, you know, that has changed that much here on Kaua'i yet.

Ms. Iseri-Carvalho: Questions of Mr. Arakawa? If not, thank you. You know, I also think that we are kind of playing catch up here. I mean, these programs just came on the radar screen, so Hookena... I am glad that they built it and it was at a time when people were not as educated as they are today and there weren't the kind of opportunities that we offer today... educational opportunities to get ready and, so the real test comes, I believe, with the next project because all these things weren't in place at the time. I mean, we could probably talk about it all day as to what were the reasons why people didn't have that type of demand and, you know, Councilmember Kouchi raises that point... we talk about education, we talk about whether you like multi-family, single family, you know, there is a variety of reasons, but hopefully with all of the efforts that we have put in partnerships together that we will be able to utilize that and come up with some analysis as to what really works. Clearly, the homebuyer fairs and the priority list and all of that are key or essential, I believe, towards the success of homeownership. It is clear in Honolulu... unfortunately, they are a lot of richer than us, but at their homebuyer's fair, they are offering a \$50,000 mortgage as an incentive. It was a lottery drawing if you showed up at the fair. You have thousands... there were like, I think, a thousand people that showed up in Kapolei when I was there for the All-Star baseball and it got advertisement like every five (5) minutes and they had the

food and all of that, but with \$50,000, like I said, thousand people showed up (thousand plus people) at one fair. Anybody else that wishes to speak? Come Tom.

Mr. Shigemoto: Again, Tom Shigemoto for the record. I don't want to prolong this, but getting back to the restricted sales period, JoAnn, the draft ordinance says, restricted sales and I don't know, they use interchangeable... restricted sales marketing period. It is kind of convoluted. It says 10 months before construction of the workforce housing units is complete, but no earlier than 30 days before the start of vertical construction. So what I wanted to share was, a lot of times when developers do these projects, their financing is based on the presale and if you cannot get the number of presales, then the project doesn't move. The way this restriction is, it is too stringent because it doesn't give you enough time to get, sometimes, what the lender requires. Also, like for corporations like A&B, we have internal requirements that say, okay, if you cannot get so many units sold or pre-sold by this date, then we are not going to move forward and this has actually happened at our Port Allen residential for our condos. We had to get so much sales before we start moving on the first, then the second, and then finally the third building. So this is why I think we need... like we are asking for some flexibility in considering that anyway, because we don't require financing, but there are internal controls and internal restrictions that may prevent the buildings moving forward if you restrict the sales period too short before the units actually come up. I don't know if I was clear, but that is, I think, where we are headed with allowing a little bit more time to do your marketing and sales.

Ms. Iseri-Carvalho: Okay. Tom, I had a question. On your project, the Port Allen project, again, how much units were those?

Mr. Shigemoto: The condos were 75 units in three (3) buildings, so start the first building, you have to generate so many sales (these are condos).

Ms. Iseri-Carvalho: All of them were condos?

Mr. Shigemoto: No, not all, the first 75.

Ms. Iseri-Carvalho: The first 75, and then the first building had what?

Mr. Shigemoto: Twenty... two (2) and three (3) bedrooms.

Ms. Iseri-Carvalho: And they were targeted for income groups of...

Mr. Shigemoto: Between \$300,000 and \$400,000.

Ms. Iseri-Carvalho: And that is, basically, I think in your 120. Ken, just off the top of your head, \$300,000 to \$400,000?

Mr. Furfaro: 140 to 180.

Ms. Iseri-Carvalho: 140 to 180?

Mr. Shigemoto: Yes, I believe it was in the 140 to 180% income range.

Ms. Iseri-Carvalho: And then we went to the second building Tom.

Mr. Shigemoto: That went from the high threes to mid fours.

Ms. Iseri-Carvalho: And what kind of units? Two (2) and three (3) bedrooms?

Mr. Shigemoto: All two (2) and three (3) bedroom units, yes.

Ms. Iseri-Carvalho: And then the third building same then?

Mr. Shigemoto: Yes, except it went a little bit higher as far as pricing.

Ms. Iseri-Carvalho: Yes.

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: So how much was those?

Mr. Shigemoto: Started in, I guess, some were still in the high threes and they went to under five... just under five.

Mr. Rapozo: 495?

Mr. Shigemoto: 499.

Ms. Iseri-Carvalho: And you were able to sell these to Kaua'i residents and...

Mr. Shigemoto: Owner occupant.

Ms. Iseri-Carvalho: No other residences... this was the first time homebuyer?

Mr. Shigemoto: I think you are getting mixed up with the Keala'ula units, the single family lots.

Ms. Iseri-Carvalho: But these were not subject to affordable (inaudible).

Mr. Shigemoto: No, these were not, these were all self imposed.

Ms. Iseri-Carvalho: As far as the market demand, were you able to sell to your anticipated market?

Mr. Shigemoto: We are actually beyond that.

Ms. Iseri-Carvalho: So it was higher than the anticipated market, right?

Mr. Shigemoto: Yes.

Mr. Furfaro: You mean you are overbooked?

Mr. Shigemoto: Yes... no, not overbooked, we are... well, there was huge demand, but, you know, we are now selling in the third tier, right, but they are all still Kaua'i residents. Okay, let's separate out the single family homes versus the condos. Single family homes, we are into the third tier which is all Kaua'i residents.

Ms. Iseri-Carvalho: Single family was how many units Tom?

Mr. Shigemoto: Single family, 58 units.

Ms. Iseri-Carvalho: 58 units and, same, three (3) bedroom?

Mr. Shigemoto: All three (3) bedroom, two (2) baths.

Ms. Iseri-Carvalho: Okay, and then you sold to what targeted group were they intended?

Mr. Shigemoto: Same, the gap... 300 to 400. The highest unit is 460 and those are the units on the bluff, right.

Ms. Iseri-Carvalho: So given these numbers, okay, the first time you went out to sell, how much units did you sell to Kaua'i residents, first time homebuyers?

Mr. Shigemoto: You know, I don't have those numbers. I can't recite to you how many of those were, but did that and we actually... when we did the lottery, we had all 58 first time buyer, Kaua'i resident, first time buyers. But when the market took a dip, some people dropped out, so we held that for a period because we had a backup list and then we went to the second tier.

Ms. Iseri-Carvalho: How long did you hold that... you held that up about?

Mr. Shigemoto: I think at least 90 days.

Ms. Iseri-Carvalho: Okay, and then you went to the next level on this group and what was the qualifications?

Mr. Shigemoto: The second group was... they are all Kaua'i residents first of all.

Ms. Iseri-Carvalho: Okay.

Mr. Shigemoto: The second group was you couldn't own a unit within the past three (3) years.

Ms. Iseri-Carvalho: Okay.

Mr. Rapozo: How many units? 58 was the first go around...

Mr. Shigemoto: No, the total is 58.

Ms. Iseri-Carvalho: The total is 58, so in this second group with this qualifications, how much units had you sold you think? Because now you are in the third group, right?

Mr. Shigemoto: We are in the third.

Ms. Iseri-Carvalho: So you never sell all of them, we know that.

Mr. Shigemoto: No.

Ms. Iseri-Carvalho: 50%, any raw...

Mr. Shigemoto: This is... I can't... no, I really wouldn't want to guess. I don't even know.

Ms. Iseri-Carvalho: But the fact remained that there were homes that were available that weren't going to the targeted group... well, you open up your third tier and the third tier is that you can own 10 houses if you want, but as long (inaudible).

Mr. Shigemoto: You are Kaua'i resident, but no ownership restriction anymore.

Ms. Iseri-Carvalho: No ownership, but owner occupant? Or you don't even have to live there?

Mr. Shigemoto: I believe we have a... no, we do have an occupancy condition.

Ms. Iseri-Carvalho: One year?

Mr. Shigemoto: I think it is one year though.

Ms. Iseri-Carvalho: And then they can own 10 houses realistically.

Mr. Shigemoto: Yes.

Ms. Iseri-Carvalho: They can...

Mr. Rapozo: Just live in one house every year.

Mr. Shigemoto: But that is how bad the market has gotten.

Ms. Yukimura: You mean the interest rates have (inaudible), so the lower incomes cannot qualify.

Mr. Shigemoto: For whatever reason, yes, and the interest has gone up, but when you compare to, you know, interest rates of before, it is not, you know, not substantial.

Ms. Yukimura: It is a really different market from an investment market.

Mr. Shigemoto: It is.

Ms. Yukimura: Although that may be affected also by the downturn in the market, but people are not falling by the wayside because they are thinking it is not time to invest or maybe they are, I don't know.

Mr. Shigemoto: Some, you know, again, the ones that are in that fourth tier, they do have the means to purchase and then these are good deals when you think about it they are good deals. It is just the target market...

Ms. Yukimura: (Inaudible, mike is off).

Mr. Shigemoto: Yes, see, but then, again, we don't have the control over that.

Ms. Iseri-Carvalho: I mean it is open to everybody which is...

Mr. Shigemoto: We tried to hold them, but, you know, we are not going to hold them for 180 days.

Ms. Yukimura: But the motivation is really different than the group that we are talking about the affordable housing people. I mean, who really need a primary home, but there will just be different reasons I guess why they (inaudible-mike is still off).

Mr. Shigemoto: I think you might be dealing with some of the same issues, you know. They just... for whatever reason, they invest in something else or they buy cars, maybe they are a couple not married, but then they split and they can't afford to maintain the payments. There are a lot of different reasons and I am sure it happens in all income straits.

Ms. Yukimura: Just kind of just tie it to the downturn in the market.

Mr. Shigemoto: I don't know. I don't understand the downturn either, but...

Ms. Iseri-Carvalho: And there is no restriction on sale too, right? For this fourth tier on...

Mr. Shigemoto: No, we have a 10 year shared appreciation.

Ms. Iseri-Carvalho: Oh, you do?

Mr. Shigemoto: We do.

Ms. Iseri-Carvalho: No matter what group?

Mr. Shigemoto: No matter what group.

Ms. Iseri-Carvalho: Okay, so one year owner occupant, but after that, if they sell, but they can rent and...

Mr. Shigemoto: I have to get back to you on that. I may be putting my foot in my mouth. I am not really, really sure, so I need to get back to you on that.

Ms. Iseri-Carvalho: And I guess we are just trying to understand what the market conditions are that we are not getting the homes to the initial intended group that we wanted to.

Mr. Shigemoto: Oh, yes, you know, in the beginning, there were so, so much interest, you know, and we had a long, long list and we are actually still on that list, but it is just that we are into the different categories now.

Ms. Iseri-Carvalho: You know, I think for me, that would be the input that I would like from the development community. How do we provide that kind of incentive to assure that the housing that is built is built for the intended group that we want to serve and that it doesn't go out after the market. We hear now, two (2) examples of that happening with Hookena and with yourselves and, you know, of course, it is not your fault that that is happening as part of the agreement, but part of your conditions just wasn't an affordable housing condition or what. I mean, how do we really attract the initial group first besides what we have tried to address in the policy about the homebuyer education. You know, trying to make lengthier restriction periods... what else other concept, you know, try to give density or bonuses. What else kinds of concepts are we missing here to at least have that try to be fulfilled because the market that we are looking at now that the market is on a downturn and houses are going to be built within the next two (2) years, we would not want to see these home vacant.

Mr. Shigemoto: Right.

Ms. Iseri-Carvalho: So what else concepts that we have not dealt with in this four (4) day workshop that would be something now... one with what DHHL had brought up an alternative, but that will only address a small (inaudible) on the housing condition.

Mr. Shigemoto: Right, that is why you were elected. I am only kidding. You know what Councilmember Iseri-Carvalho, I don't... I mean, that is the million dollar question, how do you, you know, be fair and try to maintain the units at the prices for that target market. Maybe Ron said it best. Somehow if it is to remain, maybe the County or government has to purchase and either rent it out or, you know, at the appropriate time, sell.

Ms. Iseri-Carvalho: We actually got \$17 million unappropriated surplus, so we can use that.

Mr. Shigemoto: You can use, yes.

Ms. Iseri-Carvalho: You guys have some units available, right?

Mr. Shigemoto: We have.

Mr. Kouchi: But the old policy didn't promote any responsibility on our part because we had no risk. All capital risk, investment risk, sales risk, was borne by the developer and at the end, if it didn't work out, then we just told you now, you go figure out how you want to sell them to whoever you want to sell them to.

Mr. Shigemoto: Right.

Mr. Kouchi: And we weren't doing anything too, so, you know, therefore, the escape clause to, you know, to now say we were going to have a more thought out deliberate policy.

Mr. Shigemoto: Uh huh.

Mr. Kouchi: And that we've seen the effects of not keeping the inventory.

Mr. Shigemoto: Right.

Mr. Kouchi: You know, it is incumbent on us to create a different outcome if that is what you desire.

Mr. Shigemoto: It is a dilemma. I wish I could help you with that. I don't know.

Ms. Iseri-Carvalho: Thanks Tom.

Mr. Shigemoto: You're welcome.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: I mean it is a tricky thing to have the provision of housing match with the qualified families that you want to be able to serve. So there are two (2) ways to handle that. One is to then allow you to sell at the other levels or in the open market because we cannot... one way we take responsibility for it is that we don't require you to hold it for an unreasonable time.

Mr. Shigemoto: Right.

Ms. Yukimura: The other way is for us to purchase and then keep it in the inventory while we, you know, so that it will be available when these families are ready. But that means we not only have the purchase cost, but then we have the holding cost too, so, you know, those are the things we have to look at.

Mr. Shigemoto: Well, another thing to remember too is that the prices are not going to rise, the prices stay the same, so whoever is buying it, it is still the intended market except they own units elsewhere, but the price is not going to rise because we can't sell them to that target group.

Ms. Yukimura: I mean, arguably, maybe you should get more money for it. I lost my thought, that is okay.

Ms. Iseri-Carvalho: Questions?

Mr. Bynum: Thanks Tom.

Mr. Shigemoto: Thank you very much.

Ms. Iseri-Carvalho: Thank you.

Ms. Yukimura: Oh, I know what I wanted to say.

MEHANA VAUGN: Hi, aloha maikakou. My name is Mehana Vaughn and I wanted to thank Council Chair Asing, all the Councilmembers and everyone who has been here today because I can tell that it has been a really long day on an important issue. I just wanted... my comments are based on Bill No. 2202 which was circulated earlier and not so much on the discussion today. I wanted to just speak in support of the bill. I think that the County is seeking to address the issue that anytime one of these development goes in, there is so many hidden cost both to the County and to the community and this is small effort to recapture very few of those. I know that other municipalities in the United States have done... have done things such as set moratoriums on development that are criterion based. For instance, until the aquifer returns to a certain level, until the commute from point A to point B takes only a certain amount of minutes. And what that has done is sort of engage developers in partnership in addressing those issues. I think this bill has the potential to do that.

The second thing is the issue of flexibility was brought up and I think from the community point of view, we are almost concerned that there is almost too much flexibility with the in lieu fee, the in lieu land option and then the possibility of off site development. So we would encourage not increasing the flexibility in those ways and also not dropping below the 30% requirement. I think many members of the community might advocate a 70% requirement and I think we would like to keep it at this level. What I would hope that would do is engage the developers more in partnership that was just brought up... some very difficult questions today and the issue of you being the Councilmembers and we are not sure how to help you with that. I would hope that developers on Kaua'i would be engaged in how to help

with that. I think that the real estate sales experience, the financing experience, and if that could be put to work for the County in terms of how to market these lower priced units and developers really got behind the need to market those units, I think that could be a win/win for everybody and really facilitate and expedite that process. I think that process is more likely to work if the units are on site. It is more of a concern to fill units that are part of a community with your higher priced units than it is if those have been moved off (say to DHHL lands). I think the use of DHHL lands for some of these purposes might be of concern as well.

Last point was just the idea of expediting or the idea of on site projects having a 10% increase in density. I like the idea of off site projects having to (inaudible) required 40% density. However, the on site projects, instead of increasing the market rate density, I would suggest expediting zoning which we have talked about how difficult that is, but I would suggest expediting zoning for those projects which provide the affordable housing on site and within County general plan targeted areas. And the last suggestion is in Article 2, Section 2.2, it talks about the types of developments which may require... may be subject to this bill and it says, may be, and I would request that that be changed to "will be." Thank you so much for your time. I know this is a difficult issue and I understand that much more from sitting here and listening to everyone wrestle with it. I also know as a young person raised on Kaua'i who is a long way from affording a home, it is a very, very important issue, so I thank you all. Mahalo.

Ms. Iseri-Carvalho: Thank you. Questions?

Mr. Bynum: Hi, I just wanted to thank you for coming. This is, I think, the fourth workshop and mostly we've had developers come to the workshop for as critical a need this is for the community. Unfortunately, we haven't heard from any community members who may have a different perspective, so I appreciate your comments here today. You know, because I saw this presentation from Housing giving a lot of flexibility and changing... things that a development community should be really pleased with because before it was an assumption on site and now it is an assumption that is it is built off site with an incentive to put it on site (inaudible). You know, it starts with the 40%, and if you add up all the incentives, it can go down to a lot less than 40% the way it is written. So finding that magic number that actually builds affordable housing for local people and gets an exaction that is reasonable, so developers can get a return on investment and that is the hardest thing to tease out of this. What is the formula that is a win/win that accomplishes both goals, so thanks and please come back and give more of your insight.

Ms. Vaughn: I think as you know, the cost hidden in any development are many so unquantifiable, you know, what is the water that is lost from trickling into our aquifer? What is the loss of open space and view to our community? What

is the loss for the person that accesses that area with their children and they played there? Those are not quantifiable and I think that there is still a very, very, very real costs and to bring developers to bear in trying to reduce some of the cost which are quantifiable, seems like a very important first step. I was struck that I am probably the only person on this side of the bar maybe today who is not paid to be here. And I know that this bill is important to the community because I hear a lot of people talking about it all the time. People are very supportive and excited that it is happening, but this issue, housing, they are working really hard and unable to be here.

Ms. Iseri-Carvalho: And you are right. When Councilmember Bynum brings up that, oh, you were the only one here, well, we hear from a lot people like you say in the community that doesn't have the luxury maybe of taking off from work to be here during this six (6) or eight (8) hours that we have been here. This is like the fourth day that we have it, but we've had many, many input from members of the community that transcends all kinds of ratio alliance, economic alliance whether they have lived here or not lived here that have provided at least to myself comments for us to incorporate into this bill. So while the developmental community has been very active in attending the meetings and active in holding their own meetings aside of the workshop days, the community has also been very active. They have also, like I said, you know, written in comments to myself via e-mails. Some of them have those, but a lot of it has been on the street where people have said, well, you know, what about this? What about in this area? What about the water issues? What about infrastructure? What about this? A lot of development going over in Kōloa and Po'ipū, etc., so I don't want you to feel like you are isolated in a sense that, you know, you came here... to some degree that may be correct here, but in essence, there has been hundreds of people that have afforded comments. Like you said, you've heard that and it has been the talk on the street and it has been for the last six (6) months at least a lot of discussion regarding what is appropriate for our island what direction our island should take. Even with respect to, not only resort development, but residential development and housing for our workforce. We also had, two (2) weeks ago, an SMS study that was done on the needs of Kaua'i residents. There was some discussion of that earlier today. We have a copy of that study and if you want a copy of that... it is very interesting about overcrowding and crowding, people doubling up in houses... what kinds of income groups desire housing? What type of housing they want? We also had from the Kaua'i Planning and Action Alliance, they also did a study on what the needs were of the island and that happened, I believe, last week.

So we have been trying to get as much input from the community through these various studies as well as to just our own personal contacts in the community and, hopefully, by utilizing all of the input, we will be able to come up with a fair and consistent and equitable policy that works for the developers as well as, of course, our needed residents.

Ms. Vaughn: Thank you very much for your commitment to this process.

Ms. Iseri-Carvalho: Thank you. We got more questions. Councilmember Yukimura?

Ms. Yukimura: Yes, thank you for being here. We don't often have a young person like yourself. Keone Kealoha did come forward and has submitted testimony, but to have someone like you who has grown up here to represent the young people who are looking for homes and also who are concerned about how their island develops is really important for us to hear you. I am curious about your concern about using DHHL lands and wondered if you might explain in a little bit more detail what those concerns might be.

Ms. Vaughn: Well, I would like to say that I haven't researched this and I don't understand exactly the conditions being proposed under which those sort of agreements are made with DHHL. My concerns would be... and I am hearing a bit in the Hawaiian community, a concern that DHHL is modeling itself really after, sort of, the market development that is happening in Hawai'i today. The hope of many Hawaiian families is a different sort of community and the concern that maybe... that the land is the greatest asset we have and that in the rush to build communities in a certain model, we may encumber some of that land in perpetuity in ways that we may not want to. Because with time and technology in learning, there are many, many, many tools to build communities in different ways that might allow more traditional values and models to occur in a contemporary and very new and exciting sense. I think as young Hawaiians, many of us have a concern about that trust and holding that possibility.

Ms. Yukimura: Okay, just to let you know that the proposal that came from DHHL was to allow developers to build units on DHHL lands and to get credit for the development that they are proposing elsewhere. It is sort of like an off site development to meet their housing needs, but because DHHL, at least to date, has had trouble financing their development that might be a partnership that could produce more houses for the native Hawaiian people. Now I hear very clearly your concerns about how the development would be done. In fact, the initial ag lots that were done in Anahola have one inch waterlines which are totally inadequate for any kind of real agriculture and that is just one example of not doing good planning in terms of trying to build or develop a community. But we also don't have all... I mean, I was thinking that if we do allow this provision, one way we might do it, might be to condition that the use of that provision on... at least following our zoning codes, so that they follow the General Plan and they don't scatter all over which is one of our concerns and one of the issues. I think even with the development of the Wailua lands that they might be such strip development that

the distinction between Lihu'e and Wailua/Kapa'a will no longer exist. You know, I mean, there are so many pieces to this, but I just want to... and the other issue about not dropping below 30% which I understand too. The discussion we were having just before you came up was the fact that sometimes we are producing these units, but that there are no takers and then they go off into the open market. And, so, it may be where we apply the 30%. It will... I think we... the question is whether we really have problems with finding takers for 100% of median income and lower. I don't know if we will really ever have that problem. It seems to be that the problem is with the 140% and sometimes 180% where we don't find the buyers because they may have other options or they may have other choices like buying a truck or car or something. I guess... so the 30%... the issue of 30% may be where we apply it in terms of the median income range more than whether we lessen it or increase it. If you have any comments on that because that was a major discussion whether we go up to 180% of median income or whether we stay in the present proposal of 140 and below and how we distribute that requirement.

Ms. Vaughn: I think it depends on whether you see these homes as stop gap homes as an opportunity for a young family to have a home that they could save and build equity and then try to be where they ideally would want to be in a long term. Councilmember Kouchi is right. Ideally, you want to be near your family. That multi generational aspect is so valuable and so important and such a part of the Kaua'i we grew up with. So if all of the homes were going to be available in one area that has no other community attached to it and has no families attached to it, none of your 'ohana, then making it a stop gap thing might be more of a potential... or it might make more sense. I think the other issue is the one that Councilmember Furfaro repeatedly raises which is how to keep them affordable in perpetuity and what has happened in Kilauea with the housing that Princeville bought and then was sold... that was built and then was sold at market rate and sort of evaporated. I think the issue of how you make it affordable in perpetuity is really important and if you are able to hold that... hold it at a certain rate, then it can be a stop gap thing that sort of evolves versus if it is someone's lifetime home, then it is going to have to be targeted maybe at a higher rate. And the idea of flexibility like the program that has been instituted with the housing training courses has been really great. I have a lot of friends and family who are taking advantage of that and the fact of having some flexibility to find your own home and then have that program apply is great if there is potential. If there is houses offered by developers in lots of different areas which gives you some opportunity to choose, I think then there is more likelihood that it would be a lifelong home and I think that is important. I know for Kilauea, those affordable houses, that was it and once they have come... young people who grew up in Kilauea, we know... the prospect of living in Kilauea eventually is just not a dream for most of the people I went to elementary school with and most of them have moved out.

Ms. Iseri-Carvalho: Questions? Councilmember Furfaro?

Mr. Furfaro: I think most of those people that you went to elementary school with included my daughters. You know, we talked earlier today about the Habitat model which is a 20 year buyback because it is also about building family... a cycle where children get to the point that they need to get off to college that now provides that last 10 years with the ability to get some equity to fund college and that is an excellent model. You know, those 10 year buybacks in Kilauea which were self-help went off on the market a few years ago. They were built for 103 and they have sold for 465 and there is no more inventory, so we understand that point. But I wanted to share with you some of the credits we talked about today was the fact that the crisis is now... there is no inventory and yet people have some obligations and going forward, if there is no new resort zoning, there is no new exactions. So we are talking about trying to find some ways for them to build inventory now because the surveys basically say, we have a 2,300 unit shortfall and it is... if you believe the surveys, it is at a pace of about 500 a year could be in the near future demand for housing. But we are trying to find something that gets them to build now with some incentives and build into that something that gives them credit for building in the target of below 80% and gives them credit for building something with a small yard or a detached independent dwelling. And then also label a longer buyback period and that was some of the discussion I wanted to (change side of tape)... I wanted to share that with you. Also, on the Hawaiian Home product, I also know the controversy on both sides and, you know, there are people that have been on the list for 30 years and there is no money for infrastructure. They see partnering as a way to get some inventory for those that have been on the list for a long time. And then on the flip side, there is those that see concerns about a trade off with a timeshare project that would generate revenue, but it actually ties up land for two (2) generations. So there is two (2) very important issues there and thank you for responding to that question. Thank you Councilwoman Iseri-Carvalho.

Ms. Iseri-Carvalho: Thank you. Councilmember Yukimura?

Ms. Yukimura: Am I correct in hearing that you are asking for affordability in perpetuity?

Ms. Vaughn: I am wondering about how that would work and whether it is a possibility to keep... to have those units dedicated to affordability and perpetuity at a certain, you know, fraction of increase over time.

Ms. Yukimura: Well, I mean, because the 20 year buyback, I believe that was what was on the self-help housing.

Ms. Iseri-Carvalho: It was 10.

Mr. Furfaro: It was 10.

Ms. Yukimura: Oh, was it only 10? But even so, you know, they were built in... they were moved in... they moved in '88, so...

Ms. Iseri-Carvalho: They are coming up next year where they can sell on open market.

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

Mr. Furfaro: And the Princeville one is coming up next year. The one we talked about earlier was the first phase behind the Titcom property (Kīlauea School).

Mr. Rapozo: That is pau already.

Ms. Iseri-Carvalho: That one is finished.

Mr. Furfaro: But there was another self-help before that.

Ms. Iseri-Carvalho: It is the Princeville one that... they are coming up next year October.

Ms. Yukimura: The one across from Kong Lung, I think some of them are... they were sold in phases, so some of them are coming up maybe soon and there was a turnkey project where people actually protested the self-help project. That was the first one behind the school and then the self-help was the second, but, I mean, 20 years is about what the timeframe is, so does it really protect those houses. I mean, you know, have we solved the problem in 20 years such that we don't need those houses to be affordable after 20 years is a question we as policy makers need to ask. I mean, is 20 year sufficient as a buyback or does the affordability period have to be longer?

Ms. Vaughn: I haven't researched this issue like you have. I would think that having it in perpetuity might help the County with the concern that Councilman Kouchi brought up which is that you don't want to sort of encumber all these funds in the future when you don't know what funding will be like, what the issue will be like. So keeping them affordable in perpetuity and having the developers take responsibility for how to market that and how to continue to move people through there might make it easier for the County.

Mr. Kouchi: Either you relieve them of the obligation (inaudible) you assume the responsibility, but you cannot say, I have no responsibility to have it all (inaudible) what it cost to carry it (inaudible-mike off).

Ms. Yukimura: I think we are mixing things up. We are talking about houses that are... that are in the County inventory as affordable.

Mr. Kouchi: But actually, for the "for sale" housing, if we can't sell it, then you need to acquire it, but then you would rent it.

Ms. Yukimura: Right, or you can do a community land trust.

Mr. Kouchi: But you don't... I mean, I never envisioned that the point of purchase that we were going to sit (inaudible) for a year or two (2) years and then have the home vacant. I mean, if they aren't there and they are not qualified to buy, you still have people that you can choose to discount the rent to whatever the number is whether you want to rent to 80 and below, 65... we own it and we don't have to make money off of the unit and...

Ms. Yukimura: It is a holding cost though. I mean, it would be like Pa'anau.

Mr. Kouchi: But it is still a policy cost. Who do you want to serve with this product?

Ms. Yukimura: Well, so it is better if...

Mr. Kouchi: But it is not good for us to subsidize for an affordable person, but it is okay to tell the developer to sell... I mean, it is the same concept. We are telling developers, you need to do that because there is (inaudible), so it is alright for us too.

Ms. Yukimura: I agree.

Ms. Iseri-Carvalho: Thank you. Is there anyone else who wishes to speak? Thank you very much. If not...

Chair Asing: I'd like to just ask Ken to come up and that is the follow up question that was raised by Tom which is that... and others on the timeframe for sales and marketing. Ken, what is your feel and thoughts regarding that timeframe?

Mr. Rainforth: Okay, the marketing time period that we have in the proposed ordinance says, related to the... what we spoke to of before that, first of all, you market to the income qualified group, and then you market to the next higher income qualified group. And the way that I was designing the restricted marketing period that all of... that those sales would occur before the units were

completed. Once the units were completed, the next group would be available. Sales would be available to next group which would be any Kaua'i resident regardless of income and then the fourth group being any Kaua'i resident regardless of ownership of any other real estate. I understand the need for developers to have an indication of how many units they can sell before they should take the risk to build something or to get financing and I am not sure how to resolve this. I have had several conversations and I don't have a clear answer yet.

Chair Asing: Ken, but would you have any problem to them having almost an unlimited timeframe prior to construction for sales?

Mr. Rainforth: Not at all.

Chair Asing: Okay, I think that is what they are looking for though. If you don't have a problem, then I think that is the question that they are asking because it makes it much easier for them to produce the unit to put it on the market.

Mr. Rainforth: Okay, but in that case, they will then complain about having a restricted marketing period that is a year and a half or longer. What I am hoping is that the incentives that we talked about today would encourage the development of single family attached and single family detached because I don't think there is anybody here who can contest that that is what most residents want. Now we can't... all units wouldn't be that, but the difficulty in selling Hookena or Halemalu or the other condo projects is that is a product that many, many Kaua'i residents will not purchase. They can have the income to qualify, they would rather rent a single family home because that is the lifestyle that they know and want. So I am hoping that you will accept the incentives for adding developers build single family even though it would produce a fewer units because I think that would help resolve even the sales marketing issues because they will sell much quicker.

Chair Asing: Thank you.

Ms. Iseri-Carvalho: Councilmember Yukimura?

Ms. Yukimura: We are basically talking about the income from 120 to 140 where they would actually be sales, right? Or is it from 100 to 140 of median income?

Mr. Rainforth: All the "for sale" units are fee simple sales. There is no leasehold in the proposal that we discussed from our last revision which corresponds to an earlier decision by the Council to adopt our leasehold program. It is just very problematic to work with a developer to say, you got to produce leasehold units.

Ms. Yukimura: Oh no, I am not suggesting that.

Mr. Rainforth: What I... well, there are "for sales" units... instead of having ranges which we have always had before which was always problematic because, well, if it is 80 to 120, well, what is the sales... affordable to who? So in the proposal that you have before you, so many units have to be affordable at this income number, not range, this number. So it eliminates the confusion about ranges, so there are 80, 100, 120, 140, four (4) groups.

Ms. Yukimura: Okay. That sounds good administratively. Then my question is, it is 80, 100, 120 and 140, so we are talking about fee simple for all those price ranges. I mean, all those income groups.

Mr. Rainforth: Correct, but it would be my request and hopefully the Council's acceptance that the County should look at purchasing many units to put into a land trust and sell its leasehold estates.

Ms. Yukimura: Well, I mean, you know, if we had \$17 million, you know, and you pay an average price of \$200,000 or \$250,000 a unit, that is 68 houses. I mean, it is not a whole lot.

Mr. Rainforth: I am not quite following your math. The...

Ms. Yukimura: Well, maybe my math is wrong.

Mr. Rainforth: The hard number for the County would be the difference in the leasehold sale and the affordable price which in the case of the units being sold at 80% of median income is fairly small.

Ms. Iseri-Carvalho: That is right.

Ms. Yukimura: Okay, so give me an example.

Mr. Rainforth: If the affordable sales price is \$250,000 and the value of the real estate of the resold sale is \$200,000, then the net investment of the County would be \$50,000.

Ms. Iseri-Carvalho: Yes, not the entire price.

Ms. Yukimura: Okay, so if... and this... is this an 80%? Okay, so if a developer is obligated to produce a unit at 80% of median income and it doesn't sell, then we would pay him \$50,000 for that unit.

Mr. Rainforth: Well, the County would have the option to purchase the unit at anytime if the unit didn't sell to somebody 80% of the median income whenever... then you would move to the next marketing period and somebody whose income was 100% of the median income would be eligible to purchase the unit priced at affordable at 80%. The price stays the same, but you move up in income groups.

Ms. Yukimura: But I am trying to come to the point where we would buy it.

Mr. Rainforth: Anytime. The County could purchase before it is even offered to anybody.

Mr. Bynum: That would solve the marketing problem.

Mr. Rapozo: For how much, though, I think is the question you had for how much. How much would we buy it for?

Ms. Yukimura: Well, the first question is, why would we buy it if there is somebody who can buy it, right? Who qualifies. Why would we buy it if there is somebody who can qualify to buy it?

Mr. Rainforth: To be (inaudible) affordable because if we purchase it and we sell it (inaudible)... it will be affordable forever. If it is purchased by the other person, they have a 20 year buyback and that is the difference.

Ms. Yukimura: Why wouldn't we just have it a 50 year buyback or a... you know, and they buy it if we need to.

Mr. Furfaro: I think the concept there is, if we go with the 20 year buyback, the chances are we are going to have takers. The flip side is as we acquire these lands, we are going to need cash and that cash in the affordable area that Ken is framing to us is, we probably going to have to come up with \$50,000 a unit, plus the carrying costs until such time we could lease it. But it is possible for acquisition of 20 units, we would have to come up with a million dollars.

Ms. Yukimura: So that is what I mean. If it is possible for us to... this is a requirement. It is an exercise of police power. It is a requirement of, you know, a requirement of government because of a really great need that we have a certain percentage that is affordable, why could we not require also that it be affordable in perpetuity? Because then you would have this ever increasing inventory and you could have them at different groups, so an 80% buyer could move to a 100% or 140%... you could have some movement if you wanted to and then you would have

an ever increasing inventory because I don't think we are going to solve the problem in 20 years and not need that unit.

Mr. Rainforth: I agree, but how do you get the developer to have the unit perpetually affordable.

Ms. Yukimura: You require it.

Mr. Rainforth: How?

Ms. Yukimura: Like we did with Kukui'ula.

Mr. Rainforth: The 90 year buyback. They are still groping with how to even market that. It may very well turn out to be a rental project because nobody will buy it with a 90 year buyback.

Ms. Yukimura: Well, then you convert it into the value and we buy it.

Mr. Rainforth: Well, I think we should stick to housing models that we know work and when we experiment with new ideas to just experiment with them and not set our entire policy by them.

Ms. Yukimura: I hear what you are saying, but I am not suggesting that we do it in its entirety, but I think...

Mr. Rainforth: I fully support the concept of perpetually affordable units for a segment of our inventory and the way that... I believe the County ought to do that is to step up to the plate and make the investment on units when they are available and put them in a land trust. The numbers work out, the financing is simple and nobody is left feeling that they are holding the bag.

Ms. Yukimura: Uh huh.

Mr. Rainforth: Thank you.

Ms. Yukimura: Thank you. Anything else?

Mr. Furfaro: No, that was a good summary.

Ms. Iseri-Carvalho: Okay.

Chair Asing: I don't know that that is a good summary. You know, I am just going to say it again and I wrote it down. Why then are we building something that we cannot sell to an intended person or group?

Mr. Rainforth: I was hoping I could answer that when you asked the question the first time, but you were speaking to a different person. Two reasons: one is the price and the second was the product. Does this Council agree to allow Schuler Homes to sell these units at the maximum price for affordability at 140%? Okay, so that is a really small win...

Chair Asing: Wait, if we start off, we start off with the... let's say the 80%, okay, but that is the intended person and group that we are targeting that we are building this unit for. And for some reason or other we cannot sell it to that intended person or group and the question is, if we cannot sell this, why in the first place did we build it? Why did we build something that we cannot sell? That is the question that I am asking.

Mr. Rainforth: We didn't build it. We allowed a private developer to build a product to satisfy an affordable housing condition.

Ms. Iseri-Carvalho: Right, but we set the median income price as to what... you know, who it was going to be targeted to and...

Chair Asing: And I understand that.

Ms. Yukimura: And maybe the problem is that the 80% person should be renting rather than buying and saving their money possibly because they are only going to be paying 30% of their household income for rent which will give them some discretionary income.

Mr. Rainforth: That is true, but there are always exceptions. For example, Hookena, our office is assisting six (6) people who earned less than 80% purchase a unit. So people who are earning 80% can purchase something that is expensive as being affordable to 140%.

Ms. Yukimura: But then that is not a situation where you don't have people who can't buy it.

Mr. Rainforth: Again, you are...

Ms. Yukimura: But it is... you might be what I think Tracy was saying that people have higher expectations than they can really meet. I mean, financially, and so then they... they either don't make the... they aren't able to close a deal or they close the deal and then they lose the house eventually over time. And maybe our best use of resources is putting it into rental that people really can... or cooperative or, you know, that they can really afford realistically and use it as Ms. Vaughn said, to make it a stepping stone.

Mr. Furfaro: Do you have a quorum?

Ms. Iseri-Carvalho: Well, it doesn't matter. We don't need Tim. We can continue here Ken. I think what you just said though is that we are addressing six (6) people who are not in the 140% median group that purchased homes at Hookena, right?

Mr. Rainforth: Yes.

Ms. Iseri-Carvalho: I mean, it is not all of them although there were 140% utilizing creative financing with credits, etc. Right, because they could utilize their rental payments towards the purchase price?

Mr. Rainforth: What I was trying to express is, you know, you shouldn't categorize income groups to say this is where you go because the 80% group has mostly rental projects would be where they would be, but that is not all. They have opportunities to purchase just like other groups, so that was my comment.

Ms. Iseri-Carvalho: JoAnn, I think in addressing your concern about maybe those people only can get rentals and he is saying that there are other kinds of opportunities that the Housing Agency has that allows these people for homeownership.

Ms. Yukimura: Well, I don't want to stop them from that opportunity, but if it is the situation that the Chair is talking about where we don't have qualified buyers, that means that somehow we missed the market in terms of what we should produce of what is needed. And in that case, we may have misjudged and maybe rental was the better... in terms of the resources whether it is private or public resources, where do we... because our goal is provide good shelter at an affordable cost... not more than 30% of household income and, you know, it is not to provide homeownership, that is not our goal. I mean, it can be our goal, but if try to satisfy that goal, we may be leaving out a whole bunch of people. It may not be the maximum, optimum use of every dollar we use, so, I mean, I don't know... I am not saying that I am in one position per say, but I am trying to think how do we really solve this problem.

Mr. Rainforth: The developer's dollars and if they are trying to satisfy a workforce or a affordable housing condition, what we can do is encourage them to build the type of housing units that we know Kaua'i residents want to purchase.

Ms. Yukimura: But, no, we know people want to purchase or we know people will live in and provide adequate shelter.

Mr. Rainforth: Both.

Ms. Yukimura: Because if we focus on the purchase part, we may be ignoring a lot of...

Mr. Rainforth: Well, Kevin Showe is the only developer I have ever met who opted to do a rental rather than a "for sale" and we are still waiting for him to produce. Every other developer does "for sale" because to kind of operate an affordable or low income rental project is just not economically feasible. It is just... you start off in a hole and it just gets deeper.

Ms. Yukimura: And I am not talking about them running a rental project. I mean, we may just increase the land dedication part and that is one of our options and be a developer and produce a multiple income project. That is another... what we say, 10% housing requirement turnkey and a 15% land dedication or 10% land dedication with all the bells and whistles on off site infrastructure and let a non-profit, you know, develop a mix of incomes. Allow us not to only think in terms of 80%, but like in Honolulu, you know, Mayor Harris was telling us, Chair, you know, they actually had some market... the city built market units with lower than market in those categories. Maybe that is the model we need to develop. Just give us land on site and then we develop a multiplicity of single family duplex and multi-family.

Mr. Rainforth: And that is what the proposal, I hope, provides.

Ms. Yukimura: Right, but what I am saying is, if we have a lot of problems with the 80, 100, 120% in terms of actually finding buyers...

Mr. Rainforth: I don't think we have trouble finding buyers. It is very rarely that they have ever had an opportunity to purchase.

Ms. Yukimura: So you are attributing the Hookena issue to primarily multi-family format?

Mr. Rainforth: And price. You are very extreme of the affordable price and you are selling a multi-family product. You've got a problem with both, so, yes, they're a problem. Actually, I am very happy with the marketing results that half of them were income qualified. I am ecstatic that we reached that and I am also very happy with D.R. Horton to keep selling the remaining units because units keep falling out of escrow continues to Kaua'i residents rather than going market because the time period has gone past, but they are not, they are still selling to Kaua'i residents.

Ms. Iseri-Carvalho: Right. Ken, but, again, it goes to the Council Chair, why would they build this and I don't know what the demand was in 2003 or 2004... I don't know when they started building Hookena.

Mr. Rainforth: They purchased the land from Grove Farm and they have an obligation to build units to help Grove Farm satisfy their affordable housing condition and use conditions, so that is why...

Ms. Iseri-Carvalho: I know that was why, but the type of unit that was proposed and at what income level was proposed, that is the concern. If that was what the Council had stated that that is what they wanted, clearly the SMS study showed... like you said, you should be ecstatic by the results because the SMS study says that the multi-family demand was only 17% and the multi-family supply is 62%, so you have a 45% differential between the demand and the supply.

Mr. Rainforth: Well, Grove Farm would satisfy their lower requirement. They had two (2) requirements... 80% to 120% and 120 to 140 (two (2) groups). They were required to provide 30% in each of those two (2) groups. By the time we got to Hookena, they completely satisfied the lower income group. They only had to satisfy a few more units in the upper income group that is why and they came and appealed to you because of the increasing cost that, please, can we sell these at the top end of the 140 and we said yes.

Ms. Iseri-Carvalho: Right, and timing had a lot to do with it too, but, I mean, you know, there was multi reasons for why the project is the way that it is and I don't think there is any blame to anybody, but that we learned from that and hopefully we have more diverse kind of policy that we shouldn't end up in that situation. I think Councilmember Furfaro...

Mr. Furfaro: Thank you. Thanks for framing that, you know, they had the 140 left and the less desirable being the town condominium type. But, Ken, just from another standpoint, I mean, we don't have the deepest pockets in the world. I mean, we've got landfill issues coming up here, we've got shearwater issues, lighting issues, water issues, you know, I mean, we don't have the bottom of the well in wealth here. But one of the items that we could talk about is on these units that we do acquire in these and we end up renting because I think, Councilwoman Yukimura is correct in the sense that, you know, there are people that might look at shelter and say, you know, I am a renter. You know, I don't plan to own, but another part of that might be on these units that we might acquire, we could come up with a program that is like a portion of their rent goes to future ownership like a lease to own kind of thing where, you know, they are having that challenge to save money, but if they knew some of our inventory... some of the lease rent went to a future ownership, that is quite possible too. Do we have anything like that now?

Mr. Rainforth: We utilized a rent to own program for several years when the market was really bad. We had repurchased units and mostly in 'Ele'ele Nani subdivision. We were unable to sell them without dropping the price too much, so what we did was we did rent to own, we got families in the units because vacant units deteriorate quickly and we gave them five (5) years to be in a position to purchase and there was a basic calculation, but basically half of their rent went into a trust fund to reduce the purchase price.

Mr. Furfaro: And did that work well?

Mr. Rainforth: It worked terrific.

Mr. Furfaro: Great. I just wanted to throw that out because, I mean, if we end up owning by just my (inaudible) inventory... if we got upwards of 200 units, the County is really the landlord now. It could get pretty delicate. Thank you very much and I am glad to hear that program worked well. I like that idea as well, so thank you Councilwoman.

Ms. Iseri-Carvalho: And I think we are slowly losing a quorum, so I am just going to bring this... Councilmember Yukimura?

Ms. Yukimura: So, you know, it was interesting to hear you say that we... when we were selling in the lower brackets, we didn't have a problem and that selling in the higher bracket is where we are having the problem. I mean, you know, I am really thinking it makes a lot more sense to focus our efforts in the lower brackets until we meet those needs and then maybe later on go into... and maybe in the higher brackets, it is an issue of either subsidizing interest or mortgage or something that just helps people make this little leap in... and I don't know what kind of resources that will take versus, you know, opportunities forgone in using that same money to just build more rentals or something and we have to look at that.

Mr. Rainforth: When we prepared this schedule, you see that all the percentages are not equal for the income groups.

Ms. Yukimura: They are weighted down.

Mr. Rainforth: They are weighted according to the needs that were reported by both Ward Research and the SMS studies, so... and they do exactly what you are proposing is that they are weighted to the lower income groups.

Ms. Iseri-Carvalho: They are.

Mr. Furfaro: Yes, they are.

Ms. Yukimura: I mean, it is really fabulous work that you presented today, so I do want to thank you for the thoughtfulness and, you know, the research that you did.

Ms. Iseri-Carvalho: Thank you. Councilmember Rapozo? You have a question? Thank you Ken. Thank you for everything and I am sorry for imposing strict deadlines here.

Ms. Yukimura: Can we just ask in terms of... you are planning to submit in writing or in bill language the concepts that you (inaudible).

Mr. Rainforth: Yes, and I gave Chair Iseri-Carvalho a copy of the draft that we have been working on just to prove that we hadn't been wasting our time, but she can also look at it and see that the text is too long and ponderous and needs some editing. Yes, we will and according to the schedule that Shaylene was pointing out, we need to get that to you very quickly.

Ms. Iseri-Carvalho: Yes.

Ms. Yukimura: Thank you.

Ms. Iseri-Carvalho: Thank you Ken and Barbara and Gary and the whole team because it really was a joint effort and thanks for your leadership Ken. Okay, we will call this meeting back to order.

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

Ms. Iseri-Carvalho: Any other comments?

Mr. Rapozo: Madam Chair, you know, I am not going to be here for the Committee meeting and I don't know how long I will be away. I wanted to... I put something on the chalkboard real quick, again, this is a workshop, so it is thinking out loud and not necessarily trying to convince anybody, but I do want to show my concerns before we leave today if that is possible. I just need about three (3) minutes.

Ms. Iseri-Carvalho: Go ahead.

Ms. Yukimura: Three (3) minutes to prepare?

Mr. Rapozo: No, it is already prepared. We need a bigger Chambers too. I think I need a mike. And this is just for illustrative purposes and not to scale, not audited, none of that stuff, but this is just something and it goes kind of...

you know, one thing I learned in this game of politics is that you really listen to the people that has been there and done that. And that, to me is Mr. Asing, Councilman Kouchi, JoAnn Yukimura because like Kaipō said, we are going to do something... we are about to do something that is similar to what we are already doing that hasn't resulted in variable results in my opinion. For me, it has always been about putting up roofs and not so much trying to put a policy together to say that we can say that we have a tough policy, you know, we got the toughest in the State. Because right now, we probably win that battle, but are we putting up roofs. I can tell you in the five (5) years that I have been here, very few units have gone up and we pound the developers here, pounded them. Kaua'i Lagoons... one of the better deals we... we've commended them over and over and over and they have not even broken ground. So I am trying to say, what are we doing and what we found out today, there has not been an analysis done of how effective our policies are. The best I heard today was 50%, so I am going to use 50%. I am just using based on a 100 unit requirement at 25%... now, obviously, this is not going to be in line with our policy, but as it is written, what... my point is this, 80% of the units... 80%, we sell half, 10 get sold to the 80% community, 10 remaining, comes down to the next... this now becomes 30. We go out to market, 50%, 15 sold, now that leaves us with 15 and you can do the math. This 15 now becomes 35, that becomes 17 and 18, now this becomes 38, this becomes 19... I am trying to hurry up because I know that I respect your guys time. This becomes 39... oh, I am sorry, this becomes 39 and we are selling, again, 19 and 20 that goes to the open market. Now, unless the County is willing to buy that 20 units and keep it in affordable, where are we going? We have a damn good policy. How many roofs have we built? And how many have gone out to the open market? And it disturbs me... I don't care if they are Kaua'i residents and, thank God they are Kaua'i residents that we are selling to Kaua'i, but they are not being sold to the income levels that we want it to go to.

Granted, there are some 80% people that cannot buy homes. We know that. There are some 160% people today because of that cannot buy a home, so where do we go? I think, unfortunately, I won't be here for Committee, so I am not going to be able to participate in that debate, but I am just asking mostly the Committee members to consider this. Let's get that analysis so we know exactly what we are dealing with. How successful and if I had the time, I would have put a percentage of these into it, make a nice slide and so forth, but I am not going to have that time. What really... when we talk about a 25% requirement, at the end of the day, how many percent... how much percent have we actually completed and that is my concern. The other thing is real quick and I know Dee Crowell left already and this was his unorthodox thing that he talked about the other day. I thought he was nuts, but as I thought about it, I don't know what the housing need is today, Mr. Chair, Madam Chair, I have no clue. I don't know how many projects are in the books for the next two (2) years that this 30% or 40% requirement would create a need for. What is that? I don't know even know 500 or 600 units, I don't know what we are trying to reach. Would it make sense for this County to go out and say, hey,

developer, anyone of you out there today, Princeville or whoever is out there today, you build us 500 units, 400 units, I don't care, you build it to what we need it to be built for, for the income groups. In return, we will give you that 300 credits for your next development for your project. You build the units, you give the land, you build the cost, you put the infrastructure, you come up to us with 300 units in the classes that we want to help and you just got yourself 300 credits for your next development. The County no need pay nothing. I don't know. He made that comment and I thought about it and I started doing some research, it is not a bad idea. Because you know what would happen, we would get 300 units out of the ground right away as opposed to working with all of these requirements and negotiating this and that and this and that. So, again, thinking out loud, this is not in no way shape or form intended to be written as an amendment, thinking out loud because that is what workshop is supposed to be and that is what I am hoping that we are all going to get from this today. I listened today, you know, I did storm out and I apologize, but I listen because I want to figure out what will work. What will get roofs built for the island of Kaua'i and not what this look like because the paper is only that. I will close with this Madam Chair and I appreciate the time that you gave me extra. Sometimes we think we know too much for the people, us smart legislators. Ironically, this morning's paper, maybe yesterday, the Honolulu Advertiser and Honolulu felt that they needed a homeless shelter because that is the need. We have people living in tents and all of this stuff, so you know what, let's go get a homeless shelter. In Waianae, hundreds of homeless people still live on the beach for miles in either direction of the State's first 24 hour emergency homeless shelters, yet the beds in the facility sit empty at night. Five (5) months after opening, the facility has yet to be filled and officials have not convinced most of the homeless to even stop by and look at the shelter and much less, that up residents. What does that say? Maybe we don't know as much as we think we know. Maybe we need to listen to the people and maybe when we do an analysis when we do a study, don't tell me how much people we feel are in the 80% category. Tell me how many people in that 80% category can buy a house because if only 2% or 3% or 5% and we expect the developer to build more houses at 80% that we can fill like the Chair said, then we are setting ourselves up to fail. We are building this knowing that this house is going to be for this guy or this guy or that guy and that irritates me. Because if we are saying we want you to build 25% or 5%, 80% income, then somebody better be moving into that house that is 80% income, not 120%. Thank you.

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

Ms. Yukimura: Just on Councilmember Rapozo's last point and I appreciate all the brainstorming here. He is so right about the 80% because maybe the real calculation is that they would fill up the rentals. At 80%, we wouldn't have any vacancy problem.

Ms. Iseri-Carvalho: Okay. Councilmember Furfaro?

Mr. Furfaro: My comment is that I believe there is a market that would rent and they might fill up that particular piece. I also like the idea that they would rent to lease to own. I think that is very appropriate and the other thing is, if the inventory doesn't go for rent, we better be prepared to write a sizable check, but let's know our limits. Thank you.

Ms. Iseri-Carvalho: Council Chair?

Chair Asing: No comments.

Ms. Iseri-Carvalho: Speechless? Never speechless Chair. It is exhausting and we thank all of you for staying with us to the bitter end. It really has been, I think, some very healthy discussion. It is, as we have stated from the very beginning, some very complex issues. I think that Housing has responded quite well to the needs of the developmental community and it is still a working document in progress. I mean, it is still ones that they are constantly thinking all the time and I would like to thank the Housing Agency because they have worked diligently for months and months. I can tell you that this bill was first introduced on October 26, 2006. We had a public hearing on November 21, we then referred to Committee where we set a Committee hearing on December 6. We had discussion there, we then sent it back to Committee... I mean deferred it in Committee for further discussion and had another meeting on January 24, 2007. We then decided to do the workshop route. We had our first workshop back on February 27, 2007, we scheduled a second workshop the next month later on March 27. We had our third workshop on June 19 and we are currently here on our fourth workshop on August 14, 2007. It has been an exhausting road, but clearly, we have made a lot of progress in my opinion. But we are talking about eight (8) lengthy meetings and discussions back and forth with countless members of the community. So I feel we have exhausted that portion of workshops and I think it is very appropriate at this time to refer this back to Committee. I had anticipated that it go to Committee on August 29 and at that time, I am requesting that the Housing Agency, if possible, to have their amendments ready on August 29. At that time, we will distribute it to everyone who is available to make comments and I will try to see as we have done in the past to have it posted on our website for additional comments. We would also humbly request that the development community respond quite quickly to those amendments and submit its own... should it desire to do so by September 5. We are hoping that on September 12, we will have all of the amendments. If the developmental community submits and any other Councilmembers are willing to submit amendments, please have it done by September 5, so that we can give it back to Housing, so Housing will be able to respond in an... hopefully, as much as it can for our Committee meeting of the 12th. At the Committee meeting on the 12th, I hope after lengthy discussion, we will be able to pass it out on September 19. That

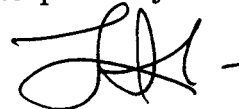
is a very ambitious schedule. We will have a bill passed by September 19. Again, that is a very aggressive schedule and not so when we look at that the bill was first introduced on October 26, 2006. So we would like to see action. I think we've had hundreds of people ask us about this affordable housing policy. We have had inquiries from all of the different counties, from all of the different Housing Directors on (change tape). There is one silver bullet that solves all of our problems and we really need to start getting on our way in implementing a policy and seeing how it works as opposed to having all of this discussion and not having action on it. The only time that we will be able to see if it works is if we actually pass something, so I am hoping that we can implement and have passage by September 19 barring unforeseen circumstances. If not, we are looking at October 3, but I am really going to try to press to assure that something is passed in its final form on September 19. So I appreciate all of the comments and the hard work that have gone into this Bill No. 2202. I look forward to the final product and thank you, again, all for being so patient today as well as during the entire time that this bill has been pending in workshops and discussions. We will, again, as soon as we get all of the information from Housing, we will definitely pass it on to the various parties that are interested and have it posted as soon as possible on the website. Alright, thank you.

Mr. Furfaro: Thank you Chairwoman.

Ms. Iseri-Carvalho: This meeting is adjourned.

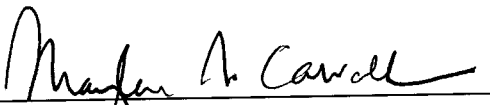
There being no further business, the meeting was adjourned at 4:55 p.m.

Respectfully submitted,



Lisa Ishibashi
Council Services Assistant

APPROVED at the Committee Meeting held on September 12, 2007:



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

