

## MINUTES

### HOUSING & INTERGOVERNMENTAL RELATIONS COMMITTEE

July 8, 2020

A meeting of the Housing & Intergovernmental Relations Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by KipuKai Kuali'i, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, July 8, 2020 at 8:31 a.m., after which the following Members answered the call of the roll:

Honorable Mason K. Chock  
Honorable Felicia Cowden  
Honorable Luke A. Evslin (*via remote technology*)  
Honorable Ross Kagawa  
Honorable KipuKai Kuali'i  
Honorable Arryl Kaneshiro, Ex-Officio Member

Excused:     Honorable Arthur Brun\*, Ex-Officio Member

The Committee proceeded on its agenda item as follows:

Bill No. 2774, Draft 1     A BILL FOR AN ORDINANCE AMENDING CHAPTER 7A, KAUAI COUNTY CODE 1987, AS AMENDED, RELATING TO THE HOUSING POLICY FOR THE COUNTY OF KAUAI     **(This item was amended to Bill No. 2774, Draft 2, and Deferred.)**

Councilmember Chock moved for approval of Bill No. 2774, Draft 1, seconded by Councilmember Kagawa.

Committee Chair Kuali'i:     We will take public testimony at this time. First, we will hear from Stephen Frank.

STEPHEN FRANK (*via remote technology*): Good morning, my name is Stephen Frank. I am opposed to Bill No. 2774, Draft 1, to waive the thirty percent (30%) affordability section of development. I have some reasons and I think that we need to explore it a little bit more. I feel that the thirty percent (30%) rule is low. I believe it is currently thirty percent (30%) of the project number of units that you have to build. I believe that the number should actually be adjusted and maybe looked at to be thirty percent (30%) of the projects total cost instead of it being thirty (30) units of a one hundred (100) unit complex. If they are building a one hundred million dollar (\$100,000,000) project, you might have thirty million (30,000,000) that might provide one hundred fifty (150) homes. I believe that we need to look at this. By passing this Bill, who is going to benefit the most? Is it going to be the County residents or is it going to be the developers? I will give you a little background. I come from the car business. In the car business, the most profitable car for me to sell is trucks, a Ford F-150. In order for me to sell Ford F-150's...I would have all Ford F-150's if I could, but I have to sell Fiestas. In order to get one (1) Ford F-150 which

makes money, I may have to get three (3) or four (4) Fiestas which make no money. In the car business, I have to be creative. Maybe I would lose money on the Fiestas or I make very very little bit of money on the Fiesta so I can sell that one (1) Ford F-150 and make a profit. Right now, by doing this for this Bill, you are allowing developers to just make the profit, and just concentrate only on where they are going to make money, and they are going to be marketing to wealthy individuals probably not from the State of Hawai'i. We are going to be bringing in non-residents and we are going to be displacing local people. It is my understanding that your job is to protect the local people and to make laws that affect the local people. Another point is when the developer is going to build these units, or they are going to take a property such as an agricultural lot, and they are going to ask you to rezone it. Once they rezone it, they are already increasing the value of that property. By increasing that value of the property, the developer stands to make better and more wealth, and create more units. The give and take to that is the affordable units. By releasing that component and saying, "Hey, we do not require you to give us affordable units," the developers are going to rezone properties...you are going to probably let them do that to make more units, and we are going to create a big gap between the haves and the have not. We cannot have that happen. I am a local person and I am trying to look for ways to help local people get into a home. I have children that are all college graduates—one (1) with a Doctor of Philosophy (Ph.D.) and one (1) with a Master's Degree. They do not live in Hawai'i because it is too expensive to live at home. I am trying to get them home and find them affordable homes that they can live in.

Committee Chair Kualifi:

Excuse me, Mr. Frank.

Mr. Frank: My children cannot afford one million dollar (\$1,000,000) homes, they cannot afford five hundred thousand dollar (\$500,000) homes, and they cannot afford eight hundred thousand dollar (\$800,000) homes. We have so many homes on Kaua'i alone that have multigenerational families. You have grandma, children, grandchildren, and cousins who are all living at home. I know a bunch of homes that have twenty (20) to thirty (30) people in the homes, because they cannot find affordable housing. By allowing this Bill, we are going to give carte blanche to developers who are only going to build homes that are going to make them money and it is only going to be for the wealthy. Why would we want to do that? It is also not going to make developers become creative to figure out ways to make it affordable. Right now they have to figure out ways. In my personal opinion, they are just being lazy and they are saying that there is not enough money in it for us, so we are not going to do it. They only want to make money for themselves. They want to make money on every aspect of the project. We should not let developers come in, take out precious agricultural land, and convert it into residential land. We cannot do that when we need the housing. Also, another point, I went to a meeting that was held by Council Chair Kaneshiro that talked about having limited resources. Why are we allowing only this "limited resources" to developers...these are County resources and not only for rich developers, to build homes only for the rich and not use those limited resources on affordable and the local community. My view is that we should not even be marketing out of the State of Hawai'i. We should be concentrating on keeping our local people here. We build all of these rich and expensive homes, who is going to actually take care of these homes; who is actually going to be the service people? If we have no housing for those people who are our base people and our base population, the ones who are going to live here twenty-four seven (24/7), they are all leaving because they cannot afford to live here. If not, they

are doing drugs or other things, because they do not have hope. Where are we going to live, we do not have a place to go, because everything is too expensive.

Committee Chair Kuali'i: Your time is about to run out, so you need to wrap up.

Mr. Frank: Excuse me?

Committee Chair Kuali'i: Please wrap up, your time is about to run out.

Mr. Frank: I think that we need to reevaluate this Bill and look at it from a perspective of who actually benefits. It is your job to ensure that it benefits the people of Kaua'i and I do not see a benefit to the people of Kaua'i. I see only a benefit to developers.

Committee Chair Kuali'i: *Mahalo.*

Mr. Frank: I do not think that we should allow that.

Committee Chair Kuali'i: Okay, *Mahalo.*

Mr. Frank: That is all. Thank you very much for your time. I appreciate it.

Committee Chair Kuali'i: Thank you. Before we go forward with the next speaker, I would like to explain that you get three (3) minutes and you get an additional three (3) minutes. We will give you a total of six (6) minutes. Mr. Frank just had his six (6) minutes total. We will start the clock and you will get your full six (6) minutes. The next testifier is Bridget Hammerquist, and you have a total of six (6) minutes. I do not know if you are able to see the yellow light? The second time the yellow light comes on means that your six (6) minutes are about to expire. I will also let you know. Thank you, we will now hear from Bridget Hammerquist.

BRIDGET HAMMERQUIST (*via remote technology*): Good morning. Thank you, Councilmembers. This is Bridget Hammerquist. I apologize I will not be able to see the yellow light, but I thank you for the warning. I do not think that I will need all of the six (6) minutes. I filed testimony with the Council in which you probably already have. The meat of the testimony was that this exemption is not necessary for the simple reason that our Housing Director and others have claimed that builders are going to be limited in the price point they can sell the units in the concentrated town core. It is the belief that those units will not sell outside of the affordable range. If that is in fact a genuine belief then there is no need for an exemption from the Housing code. My other concern is that when you create an exemption, one class of developer...someone that is developing large number of units in town cores or an R-10 property or greater, they get a benefit that other builders on island do not get. It is kind of like bringing in the big-box stores. You put the mom and pop builders out of operation. Someone that is building multi-family homes, but is not in a town core R-10 or greater property, they are going to be required to adhere to the Housing code requirement for a certain percentage to be maintained affordable. That is good because we need an affordable inventory on Kaua'i, that we do not have now. The people who then get the exemption are going to be relieved of the Housing

code. It is sort of a selective enforcement of our Housing code. Generally, the law does not support bills which selectively enforce against some and not others. The third point I would like to make in my remarks this morning is that I truly believe that Council Chair Kaneshiro may be well intended in offering this Bill for homes on Kaua'i that he believes we need, I think that it is improper for him to be in this position where there is a potential that Grove Farm development property may benefit from this Bill. The Bill by its design is projected to last for ten (10) years interval at a minimum. It is going to be in place for a ten (10) year from the time it passes by (inaudible). It does not say that it will expire at the end of ten (10) years. It just says that the Council will then revisit the Bill in ten (10) years. This is being put in place and at the end of ten (10) years, it may well continue for another ten (10) years depending upon the determination made by the then sitting Council. I feel that there is too great a conflict between Grove Farm, Māhāulepū Farm who is owned by Grove Farm, and their development land, and their proposed development of multi-family mixed use village like the one that they proposed in Po'ipū for one thousand one hundred (1,100) units on Grove Farm property. Grove Farm owns Māhāulepū Farm property. I do not feel that it is proper or ethical for our County Council Chair to be advancing this Bill. Thank you. That is my testimony on Bill No. 2774, Draft 1. I am asking the Council to please do not pass the Bill as currently written.

Committee Chair Kualī'i: Thank you. Next, we will hear from JoAnn Yukimura. Ms. Yukimura, you have six (6) minutes.

JOANN A. YUKIMURA (*via remote technology*): Thank you. Committee Chair Kualī'i, Council Chair Kaneshiro, and Members of the Housing & Intergovernmental Relations Committee. I appreciate the opportunity to testify on Bill No. 2774, Draft 1, which seeks to amend and update the County's Housing law. This law greatly affects the availability and quality of affordable housing on Kaua'i, one of the most important issues facing our island today. The law should be amended with greatest care and foresight. I would support the Bill with the following amendments. I will list them all first and then go into detail. Remove the exemption which allows projects in the town cores of Līhu'e, Kōloa, Kalāheo, and multi-family projects elsewhere that have a density of R-10 or greater. By removing this exemption, we would be requiring all of the housing to provide thirty percent (30%) of the units to be affordable. The second recommendation I would have would be to amend the duration of restrictions from fifty (50) years to permanent affordability. The third recommendation is to carefully define and make the land and infrastructure requirement the default for the standard way for a development to continue affordable housing. The fourth would be in-lieu requirement reflect the actual cost of constructing a housing unit. Lastly, I would urge you to take a look at the affordable housing percentage requirement for both residential and resort projects. I would like to focus on the first recommendation to remove the exemption. This exemption would eliminate a large percentage of housing likely to be built in the next ten (10) years from any affordable housing requirement. I do not know what that percentage is but hopefully your Committee has calculated that percentage. The public deserves to know what percentage of this future housing development would not be required to provide affordable units for the next ten (10) years.

When I testified on Bill No. 2774 last February, I submitted a list of affordable housing built between 1975 and 2019, excluding Hawaiian Homeland projects. It showed that forty-three percent (43%) of all affordable housing built over the last

forty (40) years, were built because they were required as a condition of zoning. The County's Housing law, which this Bill seeks to amend, is one of the County's principal tools for ensuring that affordable housing is built on Kaua'i. If this bill is weakened, and fewer affordable homes are built, Kaua'i's housing problem will worsen, Kaua'i's families will suffer even more, and homelessness will increase.

I have heard it said that it is not necessary to require high density multifamily housing to be affordable because by being smaller and more in number, they are likely to be lower priced. I have not seen any evidence that this will happen, especially on a long term basis. Witness Honolulu where there are many multifamily units, very few of which are affordable.

Prices may be lower for a few years if many units are built at once, but only at the upper end of affordability—for the one hundred percent (100%) to the one hundred twenty percent (120%) of AMI, and only for a few years. What about the families in the ranges below one hundred percent (100%) of AMI? Will they be excluded from the town cores where we want a mix of families to be? And what will happen in a few years after those units are built when real estate prices rise as they are likely to do on Kaua'i, especially in a COVID-infested world where people are fleeing the cities and looking for a place like Kaua'i.

If the prices are likely to be lower anyway for the developers of multifamily housing in the town cores and elsewhere than for developers elsewhere, then it will be easier for developers of multifamily units to meet the affordable housing requirement, so why exempt them? Not exempting them will ensure long-term affordability of town core and multi-family units, which is what we want.

As far as amending the duration of restrictions from fifty (50) years to permanent affordability. Under the existing law, the affordability housing required under said law must remain affordable for twenty (20) years. As we have seen from the examples of Kīlauea Estates and Courtyards at Waipouli, ten- or twenty-year affordability is far too short, resulting in market prices beyond reach or evictions...

Committee Chair Kualī'i:           Excuse me. Just to let you know that you are getting near the end, so if you could wrap up, please.

Ms. Yukimura:                       Thank you very much. Bill No. 2774, Draft 1 proposes to extend to fifty (50) years, which is better than the status quo, but it is still inadequate and short-sighted. There is an ancient Iroquois philosophy, called the "Seventh Generation..." Am I at the end?

Committee Chair Kualī'i:           That is your time. Councilmember Cowden had a clarifying question.

Ms. Yukimura:                       Yes.

Councilmember Cowden: Thank you for your testimony. You had some drop out—I think you were too close to your computer. You spoke about in-fill requirements, you mentioned four (4) things you would change and I could not hear what change you would make on the in-fill requirement. You said you would change something on in-fill requirement, but there was too much drop out to hear what your in-fill requirement change would be. It was early in your talk.

Ms. Yukimura: I think I was talking about the “in lieu.”

Councilmember Cowden: Oh, in lieu. Okay, can you say that, because I did not hear it.

Ms. Yukimura: Thank you. My recommendation is to make the in lieu requirement that is allowing developers to give money instead of the housing, to make that requirement reflect the actual cost of constructing a housing unit.

Councilmember Cowden: Okay, thank you.

Ms. Yukimura: I think Koa'e Makana's cost is about five hundred thousand dollars (\$500,000) per unit and if that is the current cost then someone that owes ten (10) units should pay ten (10) times the per unit cost as an in lieu fee. If you allow them to fudge the in lieu requirement, you will not get the amount that the County would need to build the housing, if the developer does not built it.

Councilmember Cowden: So, you would say ten (10) times...

Ms. Yukimura: Is that understandable?

Councilmember Cowden: Yes. In lieu cost requirement would be ten (10) times the cost of a single unit.

Ms. Yukimura: No.

Councilmember Cowden: Okay. I understand what you are...

Ms. Yukimura: If the developer...thanks for asking for the clarification.

Councilmember Cowden: I understand when we look at the price of the unit. The in lieu requirement would be based on the cost of the average unit that they built, therefore, if they are building two million dollar (\$2,000,000) houses, the in lieu requirement would go against the cost of a two million dollar (\$2,000,000) house.

Ms. Yukimura: That is not what I am saying and thank you for allowing me to clarify. We need to find out what the average cost of building a housing unit is and that is easily acceptable. I think Milo Spindt, at a Līhu'e Business Association meeting, said it is about five hundred fifty thousand dollars (\$550,000).

Councilmember Cowden: Okay.

Ms. Yukimura: And so whatever the developer is required to build under this law of thirty percent (30%), so he is building one hundred (100) units, thirty (30) would be required to be affordable. Thirty (30) times the per unit average cost is what the in lieu fee should be.

Councilmember Cowden: Okay, I understand now. Thank you. I just could not hear it. I appreciate that.

Committee Chair Kualii: Thank you very much. That is all the in-person testifiers we had. We have one (1) more testifier on a recorded message and we will hear that when we come back to our regular meeting and hear business again. At this time, hearing no objections, our committee will be in recess.

There being no objections, the meeting recessed at 8:54 a.m.

The meeting reconvened at 11:49 a.m., and proceeded as follows:

Committee Chair Kualii: I would like to call back to order the Housing & Intergovernmental Relations Committee Meeting, and all Members are present. Members, we have continued to work hard on meeting with stakeholders regarding this item. Today, we will have additional discussions and possibly entertain amendments. I am looking towards another possible deferral for continued discussion and dialogue. My ultimate goal is to continue working on this Bill and hopefully pass something by the end of September. Again, this is just a targeted goal.

Council Chair Kaneshiro: Committee Chair Kualii.

Committee Chair Kualii: Yes.

Council Chair Kaneshiro: I wanted to let you know there is one (1) recorded testimony. Would you like to receive this recording and continue with the meeting thereafter?

Committee Chair Kualii: Oh, yes. We do have one (1) recorded testimony.

There being no objections, the rules were suspended to take public testimony.

ALICE PARKER (*via voicemail message*): Aloha, County Councilmembers. Alice Parker, for the record. Please do not enact this proposal by Committee Chair Kualii and Council Chair Kaneshiro. This would decrease our available chances for affordable housing and we need affordable housing. Followed by the suggestions from Bridget Hammerquist, she said it so eloquently in her letter to the editor, because we need affordable housing. We do not need more non-affordable housing. Please, please Councilmembers think of the people who need you. Okay, *mahalo*, Alice Parker.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Committee Chair Kualii: Thank you Alice. I do want to mention that we received numerous testimony. The count ended at some point at eighty-six (86). While I was on break, testimony was coming in still. We have eighty-six (86) testimony tallied. There is an overwhelming amount of people opposing the Bill. Two-thirds opposing, one-third "other" so they may oppose or not, they did not clarify, and a couple in support. I wanted to put some basic information out there to make sure people know where we have been and where we are at. I do know that a lot of this testimony received came as a result of an article in the newspaper on Sunday. There were some inaccuracies in that article and was also spread around in social media. If you want accurate information, you can actually look in today's newspaper where there is an op-ed from our Housing Director, who gave some facts about the Bill. For viewing purposes, there is social media statements from Councilmember Evslin and myself. I will also be doing an op-ed for the newspaper on Sunday. Despite the misinformation that was shared and the uproar that we are hearing from the public, I mean we all agree...we all know we need affordable housing and that is what we are working towards. Perhaps the silver lining in this is that we see that several people are engaged. We have been working on this for quite a while, as I will explain and will go over the basic background. I want to give you some basic background, so you know where the Bill came from and the process for which we are working on it so far. The most important thing I want to say about that is this is a work in progress, it has been a work in progress. The Bill is actually a packet of proposed amendments. Like we described at first reading way back in January, there are over thirty (30) proposed amendments to update the Housing Policy, Ordinance No. 860. Of those thirty (30), two-thirds of them are non-substantive and they have to do with housekeeping, grammatical, clarifying definitions, relocating language, and removing duplication language. Those are all important. We already agreed on a lot of those when we went through them. I would say that the way we are working on this is a little different because it is a whole package of proposed amendments, which means any Councilmember can pick out a piece and amend it to make it different if what is in there is not working. In fact, that is what we have been doing along the way with input from stakeholders, from testimony, from meetings that we have been having, as well as hearing back from the Housing Director. The other third of those are relatively substantive and it is one (1) in particular that everyone is objecting to, but is still being worked on. There are amendments forthcoming. This Bill came from me as the Housing & Intergovernmental Relations Committee Chair and I knew



this would be the most important bill that we would work on in this term. I asked our Chair to co-sponsor the Bill with me, knowing how important it was. Of course, we work directly with the Housing Director—I am no expert in the housing policy, so we rely on his expertise to actually draft this Bill. The drafting of this Bill started back in the fall of last year based on the Nexus Workforce Housing Study that we received as a Council in June of last year. In that study on pages 11-14, there are several recommendations between ten (10) to twenty (20) recommendations. We saw those as the low-hanging fruit and those are where our proposals the basis and data for our proposals came from. We had first reading back in January, we had public hearing, we had several committee meetings, I believe this has been on the Council agenda seven (7) times in total and they will be on a few more, because my intent is for us to work on it and then defer it again. The primary reason for deferring and working on it slowly is to give stakeholders and others the chance to engage. Right now, we are having a lot of engagement...that is a good thing. Primarily, I wanted to say that this is a work in progress, we appreciate everyone's *mana'o*, their suggestions and ideas, and we are definitely taking them into account. Personally I can say I have not had a chance to send responses to all of the testimony received. However, I will definitely be doing that within the next day or two. I would also ask you to read the information that is being provided by our Housing Director in the op-ed and by myself in Sunday's op-ed. At this time, Members, do you have any comments? We will call on the Housing Director and ask him to be available to answer any questions. Councilmember Kagawa.

Councilmember Kagawa: I want to thank Committee Chair Kualii and I would like to add on to some of the history. Former Councilmember JoAnn A. Yukimura, while on Council, put in a lot of time in the Housing Task Force and held a lot of meetings. At that time, she also included Councilmember Chock and it was very hard to please everyone, which is why she did not come up with something. Councilmember Brun came in guns blazing—I thought he was going to produce something, but it was the same situation. He held some meetings, not as much as JoAnn, but he tried to get the input from the private sector, developers, and what have you. Affordable housing is not something easy to solve, especially in Hawai'i. We have the highest market prices in the world. I want to thank Committee Chair Kualii and Council Chair Kaneshiro. I brought some of the concerns from the developers who said they were failed to be contacted by Adam...I also apologized to Adam. There was a second round of effort made by Committee Chair Kualii and Housing Director Roversi to contact all of these folks—I gave that to Committee Chair Kualii. They asked for their input and they asked for further input moving forward. This is not the end product. What I would like to lay out and to be accurate is that the thirty percent (30%) has not been successful. It has been years, and there have been no major projects. While it looks good on paper, it has not produced results. For this reason, Committee Chair Kualii is attempting to try and move something so that we get results and houses on inventory. With inventory, supply, and demand...the more supply you have and with the demand that there is, the better chance of having market rates available for local residents. I praise the efforts of Housing Director Roversi, Committee Chair Kualii, and Council Chair Kaneshiro. I am really upset

with some of the negative comments that are being made without justifiable facts. We do not need to get emotional. Committee Chair Kuali'i and Council Chair Kaneshiro—they are not bad men. They are great. We are lucky to have them here and these efforts are being made to try and help the island of Kaua'i. I praise them. I hope that we are able to keep everything positive. Right now, I believe we have a Council that has the focus to come up with something good in September. Let us continue with positive input. We do not need to be name calling and criticizing people who are trying to do good work for the people of Kaua'i. Thank you.

Council Chair Kaneshiro: I have a quick announcement. We are at 12:00 p.m. I will make the decision to end on this item and take a lunchbreak. If there is Administration waiting for your items (the climate change, polystyrene, and collective bargaining), you are able to come back after lunch at 1:30 p.m. I would rather us take a lunchbreak after this item instead of starting the climate change and have to break it up in the middle. We will finish on this item. I know that we have Administration waiting on our Zoom. It is just an announcement to the Administration that they can come back at 1:30 p.m.

Committee Chair Kuali'i: Councilmember Chock.

Councilmember Chock: I think it would be a good idea to have the Housing Director shed light on some of the comments and misguided perspectives that are being emerging in the community around this Bill, so that we can shed some light on the facts.

Committee Chair Kuali'i: Yes, we are going to do that. Do you have anything?

Councilmember Cowden: I am able to wait until after the Housing Director...would you like me to speak now?

Committee Chair Kuali'i: Whatever you would like.

Councilmember Cowden: I will speak just a little bit, because perhaps Housing Director Roversi can add to it. I want to acknowledge that when this Bill was put together, it was late last fall, early last winter well-ahead of the whole COVID-19 emergency. We basically pushed it out to the middle of the summer thinking that the emergency would have been lifted and to be bringing people in here. Our market conditions have really changed, so I would like this thought to be in Housing Director Roversi's mind...our market is really heated up in this COVID-19 time. I have called different realtors in my zip code, the Kilauea area. They tend to work with the higher-end community and there is a lot of purchasing interest from people who have never been on the island. They said that sixty percent (60%) of the people who are doing the virtual walk through have never even been here. They are going after the vacation rental markets, two million dollars (\$2,000,000) and under, and dominantly one million dollars (\$1,000,000) and under. They are looking to try

and find that fifty cents on the dollar. There are realtors in the big cities that are calling key realtors here and they have lists. As seen in the past, when these properties go into failure or when they go on to the market...when property moves fifteen (15) minutes within the listing on the Multiple Listing Service (MLS), we risk some replacement of property ownership. It is almost certain. When we look at supply and demand, we have almost an inexhaustible demand for at least existing buildings right now. When we look at people trying to flee either the virus or violence in their communities...without my placing any kind of character comment on what had been creatively put in there to incentivize infill development, how we do more urban renewal, how we build in the areas that already have these infrastructure, we might be deepening the housing crisis by creating this exemption. In our whole process, I will be looking at that exemption. I would like to say that I believe we should remove all of it. When we look at the fifty-year and permanent dedication, which is another area I would like to really speak about because of the youth complaint received on that. We have heard that one hundred forty percent (140%) might be very important. From experienced people in our development community, there has been a little bit resistance to the strength of what this Nexus Report said. It is a pretty skilled document. I read it; I do not know that I get it. I would like to acknowledge that. Something else that could be put in there is to add thirty percent (30%) rather than include thirty percent (30%). That was something that was shared in other municipalities that said if you build one hundred (100) units, maybe you will get thirty (30) more density, but that has to be at the really affordable price rather than doing inclusive. There is a range of ways that things could be looked at. When appropriate, I will definitely be introducing some amendments. Whether it is today or another day, I really want to learn and listen to everyone that has something to share. I think it will calm a lot of the people listening and to let them know that this is a work in progress and it has been intentionally moved out with the hope that we could have greater involvement of the community. Thank you.

Committee Chair Kualifi: Thank you. At this time, I will suspend the rules for any questions of our Housing Director and for our Housing Director to also feel free to make any statements you would like to make at this time.

There being no objections, the rules were suspended.

ADAM P. ROVERSI, Housing Director: Aloha, Committee Chair Kualifi, this is Adam Roversi, Housing Director. I will start off with a few comments and then answer any questions anyone has.

Committee Chair Kualifi: Okay.

Mr. Roversi: You were inundated with a flurry of comments arising from the recent *Garden Island* article and a lot of social media posts flying around regarding this housing policy. I believe that in their opinion they are largely based on some misrepresentation of what this policy is actually doing, which I tried to address that in the editorial section of today's paper, but if I am able to touch

briefly on that. I believe a lot of the flurry of opposition was driven by a misperception that we relatively narrowed and targeted the exemptions that were proposed in the Housing amendments for very specific high density multi-family units in very specific areas. This has been characterized as exempting any development on the entire island of ten (10) units or more from any workforce housing assessment. Therefore, we have seen many comments that the Council—the sky is falling and the Council is doing away with all affordable housing requirements for the next decade. That is patently not true. In my opinion, the exemptions that are proposed are very narrowly targeted. It is designed to promote high density multi-family apartment style dwellings in our town core areas, which is exactly what the General Plan has asked us to try to do as far as development on Kauaʻi. It is also the recommendation that comes directly from the Nexus Report, which was put together by a group of experts in inclusionary zoning from around the Country. One of the concerns that I hear from the recent outcry is that there is no absolute guarantee that multi-family structures built within the Līhuʻe Town Core area will serve local residents at workforce housing prices. The threat is that it will all be expensive units for mainland residents that are somehow going to displace local residents. The idea of more housing units, more multi-family housing units is somehow going to displace residents just seems to be logically incomprehensible. More apartment style units in Līhuʻe means more housing units for local residents. I have said many times in previous Council meetings that it is my educated understanding that analyzing the current market in the Nexus Report...by their nature, those types of projects tend to be at workforce or affordable housing prices. That is not really just a guess. This is not an exhaustive survey. I reached out to local rental management companies to find out what the rental prices are for existing multi-family projects in Līhuʻe, such as the Līhuʻe Town House on Rice Street, Sun Village, Banyon Harbor, and Hale Malu in Puhi. All of those existing projects are renting out currently between eighty percent (80%) and one hundred percent (100%) Area Median Income (AMI) and no one is forcing them to do that. That is simply the nature of those types of projects, the size of the units, and the type of housing product that they are. That is the reasoning within the Nexus Report that encouraged us to create an exemption for these types of apartment projects. As facts on the ground here in Līhuʻe today demonstrate, those projects are being rented to people who are making what we are defining as workforce housing prices on Kauaʻi, so it is not just a guess or pipedream. I believe those will provide workforce housing, which is our goal and obligation, but I think the facts are on the ground demonstrate that to be the case. As Councilmember Cowden also mentioned the concern about housing being for...trying to establish a requirement that housing be for local residents as opposed to people coming from the mainland. We attempt to incentivize that in many ways and when housing is required under the Housing Policy or when we build it ourselves, which to be honest is where most of our affordable housing comes from, we require local residency. To be on the homebuyer list, you have to be a resident. It is true that someone can land on Kauaʻi and within a matter of days they can become a local resident. If so, we have to put them on the homebuyer list. They would have to take a homebuyer education class...it takes a little time before you can get on the list, et cetera, but for better or worse that is what we get for being under the United States Constitution. Matthew is able to tell me if

I am wrong, but from my understanding, we are not able to establish a duration of residency requirement for housing. Whether we want to or they think it is a good idea, we would lose if we ever went to court. That is a simple fact. I do not know if I have many more specific things that I wanted to touch on, but I would be more than happy to answer any questions about any of the possible amendments. I would like to reiterate that I have been reading all of the same comments that you folks have—from the Kaua'i Board of Realtors and from various, both development interest as well as community groups, who we might characterize as being on the opposite side of the spectrum. I will continue to think about all of their comments and how they both reflect on amendments that are proposed and approved, at least tentatively approved today, as well as possible other additions that could be made improvements. All along the way when Committee Chair Kualii and I first began discussing this, we realized that this is a very complex, almost forty-page bill and the intent with the amendments that are currently before Council was to take the first step. It was not to solve all of the problems and redesign all forty (40) pages of the housing policy. It was to take some actionable steps now in hopes of making a difference, to be able to continue working on this over time, in separate sessions, on different topics in hopes of trying to make it better, to see how it functions and to make changes. To see if it is working; if it is not working, make more changes. I do not want to speak for you; however, I have not viewed this as the ultimate end of the road for a process in trying to achieve affordable housing goals for Kaua'i.

Committee Chair Kualii: I would also add that we have amendments still in the works. We are working on items that are not ready today. As much as possible, we are trying to address all of the different concerns. Did you have something? Councilmember Chock.

Councilmember Chock: Thank you, Adam. There has been talk on how we may be able to address the exemption or the fear behind the exemption. You also mentioned what we are really seeing now with the types of development in our town core, the R-10 hits about the eighty percent (80%) to one hundred percent (100%) AMI. In thinking about how we are able to reach the goal of affordability, the idea of capping it at a certain amount...whether it is one hundred (100%) or one hundred twenty percent (120%), I would like to hear the background on that and what the suggestion would be. I have heard one hundred twenty percent (120%). However, based on the eighty percent (80%) to one hundred percent (100%) that is showing up, would it not be wise to go with the one hundred percent (100%)?

Mr. Roversi: I believe that we all really need to study the financing numbers a little more before coming up with the "final number." It is likely that some of the multi-family projects that currently rent for eighty percent (80%) to one hundred percent (100%) could not be built today if they were required to rely purely on projected rental income at the eighty percent (80%) level per se. That points out the difference between construction and development costs versus the income that an owner can expect to make off of an apartment complex to pay off their

mortgage over time. It is realistic for some of these older buildings. However, if they were required to exist exclusively on eighty percent (80%) to one hundred percent (100%) income, I am not sure if they would be able to finance the building of a new project today. When we get up to the one hundred twenty percent (120%) rental levels, we would then begin to hit the realm of possibility where these types of projects could be financially feasible to construct. They would make a reasonable profit, pay off the loans, the note for construction, and allow them to exist. My initial thought is that the one hundred twenty percent (120%) requirement could be appropriate. It would still allow these sorts of projects to financially pencil out. If we got enough volume of them, I believe it will still drive rents in some of those units down and below the one hundred twenty percent (120%) level to serve people that are at lower incomes. If we were to do something like this, we would technically be making a partial exemption as opposed to an exemption being that we are still imposing some sort of an income based requirement. Have I answered the question? I am not positive on what the right number is, but preliminarily, I think that one hundred twenty percent (120%) might be appropriate.

Councilmember Chock: Thank you for the response. I think that you are right. To pencil it out for us here at this table will help us immensely in determining what that number is. I am guessing that one hundred twenty percent (120%) is most likely in upwards in what I heard with testimony today. It would cost approximately five hundred thousand dollars (\$500,000) to build one (1) of these condominiums.

Committee Chair Kualii: We may be getting a little ahead of ourselves being that would be one of our first amendment proposed today. I would like to add to that and if I am understanding it correctly, should the one hundred twenty percent (120%) AMI price limit or cap...that would apply to one hundred percent (100%) of the units. In some ways, if you are comparing that to the existing housing policy where it only applies to thirty percent (30%) of the units, that thirty percent (30%) is broken down into thirty percent (30%) at the eighty percent (80%) AMI, forty percent (40%) at the one hundred percent (100%) AMI, and thirty percent (30%) at the one hundred twenty percent (120%) AMI. In the end, although you are getting a few more eighty percent (80%) and one hundred percent (100%) AMI units, you are getting a lot more one hundred twenty percent (120%) or less, which is all still in our affordable category or inventory...or the gap group even though it is on the higher end. You are getting one hundred percent (100%) of the units as opposed to only thirty percent (30%). Yes, we need to look at the math but as far as volume-wise and keeping it below what people are worried about regarding luxury developments and overpriced gentrification and resortification, that is not what we are talking about when we are talking about multi-family workforce housing that would happen under what we are proposing, correct?

Mr. Roversi: I agree with you completely and that is a good point. If we are imposing a thirty percent (30%)...let us say that we have one hundred (100) units and we are imposing a thirty percent (30%) workforce housing

requirement, which I continually point out when they take advantage of various incentives in the Housing ordinance, it usually does not end up at thirty percent (30%), it usually ends up between fifteen percent (15%) and twenty percent (20%). Out of one hundred (100) units, we would be getting fifteen (15) to twenty (20) workforce housing units in a range of prices between eighty (80) and one hundred twenty (120). Under this partial exemption with a one hundred twenty percent (120%) for all units, we will be getting one hundred (100) units for workforce housing as opposed to only fifteen (15) to twenty (20). As I pointed out in the op-ed in the paper today, according to the State of Hawai'i Department of Economic Development & Tourism, we have a demand between now and '2025 to fill current housing needs on Kaua'i. We have a deficit of over four thousand (4,000) housing units. Anything we are able to do to bolster an increase of supply more widely would benefit especially if we are able to ensure that everyone in those units would be serving the workforce housing.

Committee Chair Kualii: In your statement earlier to not guess or a pipedream and how you have done the survey. Even without the cap or the one hundred twenty percent (120%) limit, we were believing that it would happen. However, with this amendment, we would actually add that in there for it to be guaranteed.

Mr. Roversi: If nothing else, to assuage community concerns. I do not know that it is entirely necessary given what the market shows us today. I would not be against the idea.

Committee Chair Kualii: That is the amendment you are going to have to chime in on later today. Are there any further questions? Councilmember Kagawa.

Councilmember Kagawa: Adam, the most recent large subdivision I am able to think about is in Hanamā'ulu, by D.R. Horton. I remember seeing that big sign with prices starting at four hundred forty-four thousand dollars (\$444,000). I made the assumption and said, "You know, that place is going to be bought out by people in the mainland." I actually drove through that subdivision and it looked like majority of those owners were local families, longtime local families. I am wondering if you folks have a total of that amount knowing that we could possibly violate Federal laws. I am wondering what the success rate is of that project. As I mentioned, it looks like ninety percent (90%) or more is longtime local residents. It was actually successful.

Mr. Roversi: I actually spoke to Robert Rull from D.R. Horton yesterday. If I recall correctly as this was a brief phone call that did not include all of the sales data, he iterated to me that all but one (1) unit of that entire project was purchased by local residents. That unit that was not an existing local resident was moving from another island and already had employment here. I do not want to speak for him but that is my recollection. As a practical matter, that project was by default all for local residents without imposing that requirement. That takes

you to a point that Councilmember Evslin made in his Master's Thesis, and you are able to correct me if I am wrong, I do not remember the exact numbers, but there was an analysis of Real Estate sales on different parts of the island and a percentage of sales in those areas that were to local residents versus mainland buyers. In some areas of the island like on the North Shore, that number was near fifty-fifty or over fifty percent (50%) mainland buyers. In the Līhu'e area, ninety percent (90%) plus was local resident buyers in that area. This is why it speaks to earlier days of discussion on this policy we felt comfortable about the idea of creating these exemptions for the Līhu'e area. It is because of the nature of the population that tends to be attracted there and the people that want to move there and purchase these houses. The D.R. Horton project exemplifies that fact.

Committee Chair Kuali'i: Councilmember Cowden.

Councilmember Cowden: Thank you. I have a few questions to what you were speaking to and what you were speaking to me regarding my conversation. Are you looking at Section 7A-2.1, where we are looking at the general requirements? All the discussion you shared is relating to and under general requirements and how we have the thirty percent (30%) inclusionary zoning, right? Were you speaking to that area?

Mr. Roversi: I am not following the question.

Councilmember Cowden: Okay. When I had made some comments of concern...as we see the really big bounce in all of these letters that have a greater concern than I do, they are concerned about the exempted areas. The areas that are exempted, these numbers like eighty percent (80%) and one hundred twenty percent (120%) AMI, those are merely estimates and projections. They are not requirements. In Section 7A-2.1, that is general requirements, so it is not up to the developer and if they are able to avoid it, they need to offer the eighty percent (80%) to one hundred twenty percent (120%). In the exempted areas, we are presuming that who wants to live on Rice Street other than...especially there, it is not R-10. It is R-40 plus an additional rental unit, so it is essentially R-80. We are presuming that there will be a low rental amount and we are comparing it to the Līhu'e Town Core. All of these numbers that you are giving, those are presumed for that area and they would be accurate for general requirements. Do you understand what I am saying?

Mr. Roversi: These exemptions as proposed make presumptions to the income ranges of individuals and the eventual rental prices that would be charged.

Councilmember Cowden: Yes.

Mr. Roversi: ...for multi-family type apartments.



Councilmember Cowden: You are presuming those.

Mr. Roversi: ...within the town core areas. This is based on the financial analysis from the Nexus Report as well as the tax in Līhu'e for rents that are charged for current multi-family projects.

Councilmember Cowden: Okay, but we will acknowledge that they will be market rate. They are presumed that they would naturally fall into that range.

Mr. Roversi: You could say that the market rate for these types of housing products or these types of apartments are workforce housing prices.

Councilmember Cowden: Yes, we could say that is accurate for right now. I am going to agree with that. I would like to make a positive comment about Grove Farm who has done most of the development in this area. I would say that the vast majority of it is sold to residents, which is basically our professional class and working class. We have market rate houses that have sold, they are not a developer that is typically or to my knowledge that is selling luxury homes, correct?

Mr. Roversi: I believe that is correct.

Councilmember Cowden: I am wanting to acknowledge from the beginning that most of the development here is basically selling to the local community. What I had started off by saying where we have a different market right now than when the Nexus Report was written or even last winter, is that there is a fleeing of cities, because of the race riots and COVID-19. Perhaps by the time anything is built, that will all be long passed, and people do not need to come here. It might be that time goes out. Where I was putting it in that context, I think you had missed my point. My point was that the market has changed and what we had decided last December might not be the case for this December.

Mr. Roversi: Whether there is increasing interests from the mainland in purchasing houses on Kaua'i...broadly speaking, it is a separate issue from the fact that our local residents need more housing units. I do not believe it will be productive to fear mainland people moving here and say that we are not going to incentivize building more housing units because non-residents may buy them. Our local people still need affordable housing.

Councilmember Cowden: I respectfully disagree.

Mr. Roversi: I do not know a lawful reason or method of stopping people from coming here to buy houses.

Committee Chair Kuali'i: I do not see a really good breaking point here because this discussion is looking like it will go back and forth. We are at our

lunchtime. Write down your notes for your next questions and let us recess for lunch. Thank you very much Housing Director. See you back at 1:30 p.m.

There being no objections, the meeting recessed at 12:31 p.m.

The meeting reconvened at 1:38 p.m., and proceeded as follows:

*(Councilmember Kagawa was noted as not present.)*

Committee Chair Kualii: The meeting is called back to order. We were in the middle of questions from Councilmember Cowden. I do not see yet if Housing Director Adam Roversi is online—can you tell, Scott?

Mr. Roversi: I am back if you can you hear me?

Committee Chair Kualii: We can hear you and we can see you. Councilmember Cowden has the floor and we will continue with her questions.

Councilmember Cowden: I will actually yield for right now, listen to what the other Councilmembers have to say, and if my questions do not get answered within that, then I will ask.

Committee Chair Kualii: Are there any further questions?  
Councilmember Evslin.

Councilmember Evslin: I had a quick question for Adam. Can you run us through where the exempt areas are on Kaua'i? I think that is part of the misunderstanding out there. R-10 and above outside the Visitor Destination Area (VDA) and Special Planning Districts, can you give us a run through on what that entails.

Mr. Roversi: Sure. There is a Lihu'e Town Core Special Planning District, a Kalāheo Town Core Special Planning Area, I think it is called, and a Kalāheo Special Planning Area. I provided Council with the maps of those areas. I think they are probably, just as a practical matter, more limited than what people have in mind when they think of Kalāheo or Kōloa. People usually kind of think of the larger Kalāheo, Kōloa, or the Lihu'e area.

*(Councilmember Kagawa was noted as present.)*

Mr. Roversi: The Lihu'e Town Core Special Planning District for instance does not cover a lot of the empty land heading out towards the Wilcox Hospital area. It really focuses on more or less the built town core area of Lihu'e. With regard to the second category exemption for R-10 lots and higher, the lots zoned R-10 or higher are by and large concentrated in the Lihu'e and Puhi area. There are quite a few in some of the visitor destination areas along the Eastside and

in Po'ipū, but those areas are specifically excluded from having the planning exemptions. Those are designed to accommodate condominiums, hotels, resorts, and things like that. This proposed amendment does not touch on those properties, they are not covered in the exemption. There are a smattering of R-10 lots here and there. There is one (1) in Waimea and a few here and there. Like I mentioned, there is a bunch in Kapa'a, all along the ocean, which are not part of the exemption—they are expressly excluded. By and large, they are generally in the Līhu'e area, in Puhi, and around the Līhu'e Town Core. Along with the town core area exemption, they work hand-in-hand and that we are trying to incentivize multi-family, high density development within the Līhu'e Town Core, so the Līhu'e area. The town core exemption covers the specific rather limited map of the Līhu'e Town Center, the R-10 expands some of those to some parcels that are outside of that specific map boundary, but are also by and large within the Līhu'e Town Core area, with a few in Puhi across from the community college and adjacent to the new commercial area where Safeway and so forth are in there.

Councilmember Evslin: One of the op-eds in the paper referenced that there was a possible conflict of interest because they said that there was a Grove Farm property in Po'ipū that would be exempt and that they are planning a large development there. Does that development have R-10 and above or would that be exempt?

Mr. Roversi: There is an area in the General Plan that is called out for a future town development in Po'ipū on currently empty land, but these exemptions as currently written do not cover that property at all. They are not covered by a special planning area exemption, they are not covered by a zoning density exemption. If at some future County Council decided to up-zone all of that land, I guess technically then you would have to ask that question again, but presumably the County could make all of those sort of policy-based decisions when it comes time to think about whether or not to permit that development to move forward in the first place. Realistically that is decades down the line and our lives will all be different by then. We will no doubt have a whole new array of concerns, but as presently proposed, none of those exemptions cover that referenced property in Po'ipū.

Councilmember Evslin: Thank you very much, Adam.

Committee Chair Kualii: Does anyone have further questions?  
Councilmember Cowden.

Councilmember Cowden: The last time we spoke there was some discussion that maybe there would be other special management areas in Kekaha, 'Ele'ele, Kilauea—there has been some reference to other areas. What would it take to have those things occur?

Mr. Roversi: The westside special planning areas are part of the Westside Community Plan, which I believe that the Planning Commission has approved, the Planning Department should be transmitting to Council, as I understand it, sometime in July for review and consideration, just as you reviewed and considered the General Plan. Assuming that you reviewed those planning areas and the community's desires and intentions for those areas, it would be up to Council whether to, by further amendment, add those as possible exempt areas or not. I would not think it was necessarily an automatic thing, I would encourage Council to read the plans that the community has put forth for those areas and be sure that what the community and the Planning Commission in that public process is putting forth as their vision for their community meshes with the idea of having more multi-family high density development in those areas. Just as an example, when we were originally working on the idea of creating town core exempt areas, we were looking at areas where town plans already existed. In Kilauea, for example, there is an existing town core plan, but that town plan specifically calls for their own affordable housing requirements that are different from the Housing policy. To me, it did not seem appropriate to try to put that into this Bill as an exemption when the community is specifically asking for something different. Granted that town plan is now more than a decade old and it is probably due for an update when...as the Planning Department goes around the island and updates their plans for the North Shore at some point, they will have a North Shore plan and area plans for up there. Maybe when the community comes back, re-conceptualizes what their vision is for the community, it may or may not be appropriate to think about adding, but again, it would have to be a place-specific decision for each location as opposed to just sort of an automatic thing that all special planning areas and town core areas go in here as an exemption. I would not suggest such a blanket idea.

Councilmember Cowden: Okay, so I am just clarifying it for anyone concerned, no future special planned area is going to naturally just fall under the exemption criteria unless the Council and the community agrees to that.

Mr. Roversi: You are exactly right. Correct.

Councilmember Cowden: Thank you.

Committee Chair Kualii: If there are no additional questions, I will call the meeting back to order and then Councilmember Evslin will introduce the first amendment.

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

Councilmember Evslin moved to amend Bill No. 2774, Draft 1 as circulated, and as shown in the Floor Amendment which is attached hereto as Attachment 1, seconded by Councilmember Chock.

Committee Chair Kualii: Councilmember Evslin.

Councilmember Evslin: The proposed amendment would simply require...in order to get the exemption that all units in that development be at or under one hundred twenty percent (120%) AMI. This exemption came out of discussions and recommendation from the Housing Director.

Committee Chair Kualii: Are there any questions?

Councilmember Cowden: I have a clarifying question. Then it would not be like thirty percent (30%) would fall, it is one hundred percent (100%) would fall within one hundred twenty percent (120%), correct?

Councilmember Evslin: Yes.

Committee Chair Kualii: Are there any further questions?

Council Chair Kaneshiro: I have a quick question.

Committee Chair Kualii: Yes, Council Chair Kaneshiro.

Council Chair Kaneshiro: Would it still be considered an exemption?

Committee Chair Kualii: I know that you, Housing Director, was calling it a partial exemption, right? Because in a sense...and it might be as we work on it further, that we separate it from the true exemption, which is like the affordable housing projects, right? The "D" on the bottom. Therefore, it is a partial exemption.

Council Chair Kaneshiro: Later on, if you wanted to change that section on the exemption part to "partial" or something else to make it a little more clear.

Committee Chair Kualii: I want to remind folks that we are continuing the work on this and it is my intention that at the end of today that this will be deferred. I do not want to get lost in all of the language, try to rush to get staff to change things, because we can amend the proposed amendments at any time. Are there any further questions? It is pretty clear. Councilmember Kagawa.

Councilmember Kagawa: I think this is one of the sticky points that I am being told by some of the people affected, the developers, that the drop from one hundred forty (140) to one hundred twenty (120) will basically produce nothing. They are still saying that they do not see anything happening and they are guaranteeing it. However, Committee Chair Kualii made me feel a lot better by saying that we are still in the process of working on this. After this meeting, we are able to adjust that number if the consensus is, after more meetings and discussion, that number could change. It is not like a final decision. I am not supportive of going down from one hundred forty (140) to one hundred twenty (120), however, I know we still have time to alter it if we deem necessary.

Committee Chair Kualii: Should we go to final comments or does anyone still have questions of Mr. Roversi?

Councilmember Chock: I have a question.

Committee Chair Kualii: Okay, go ahead.

Councilmember Chock: This brings me back to my original question about the need for us to solidify this by having numbers or figures to really look at to make the determination. My request would be...I do not mind supporting this in the direction that it is going, but to solidify it, we need to be able to have those projections before us and maybe at the next meeting. Either we defer this or I do not mind voting on it with the understanding that there is a little bit more work that needs to be done.

Committee Chair Kualii: Yes. As with the entire Bill and all of our amendments, we will continue working on it, but I would prefer that we pass something, so that the people can start looking at what we are working on.

Councilmember Cowden: Just a simple question for Director Roversi.

Committee Chair Kualii: Go ahead.

Councilmember Cowden: What would one hundred twenty (120) AMI be today? What would that price be for a two-bedroom?

There being no objections, the rules were suspended.

Mr. Roversi: If we are talking...there are different numbers for sale versus rent. For example, today, a unit that is "for sale" that is a two-bedroom, at one hundred twenty percent (120%) of Kaua'i median income would be five hundred thirty-three thousand dollars (\$533,000). One hundred forty percent (140%) by comparison, a two-bedroom would be six hundred thirty-nine thousand dollars (\$639,000).

Councilmember Cowden: Excuse me, what did you say?

Mr. Roversi: The hundred twenty percent (120%) in a two-bedroom under the numbers today...this changes every year based on the United States Department of Housing and Urban Development's (HUD's) annual numbers, but one hundred twenty percent (120%) for sale price of a two-bedroom would be five hundred thirty-three thousand six hundred dollars (\$533,600).

Councilmember Cowden: Okay. What about the one hundred forty percent (140%)?

Mr. Roversi: It would be six hundred thirty-one thousand three hundred dollars (\$631,300).

Councilmember Cowden: What about for rent?

Mr. Roversi: Rent limits for a five-bedroom...I will stick with a two-bedroom for comparison since that is what I started with. A two-bedroom...there are differences between whether you pay all of your utilities or your utilities are paid for you. A two-bedroom at one hundred twenty percent (120%) Kaua'i area median income would max out, including all utilities, would be two thousand seven hundred fifty dollars (\$2,750). One hundred forty percent (140%) by comparison, including all utilities, would be three thousand two hundred eighty dollars (\$3,280).

Councilmember Cowden: Are we talking...

Mr. Roversi: In today's numbers.

Councilmember Cowden: Are we talking about an apartment or a house?

Mr. Roversi: This is simply based on bedroom counts, so it does not differentiate between apartments and houses.

Councilmember Cowden: Okay. Thank you.

Committee Chair Kualii: If there are no further questions, I will call the meeting back to order and we will take the vote.

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

The motion to amend Bill No. 2774, Draft 1 as circulated, and as shown in the Floor Amendment which is attached hereto as Attachment 1 was then put, and unanimously carried.

Committee Chair Kualii: Do you want to say something else?

Councilmember Cowden: I am shocked at how much money that is.

Committee Chair Kualii: It is set by HUD, we do not set that amount. It needs to be below that.

Councilmember Cowden: Right. It is a staggeringly high number, so I am saying, "Yes, with reservations." That is an amazing amount that I do not think that even well-paid working people could pay, easily.

Committee Chair Kualii: Okay. Are there any further amendments?  
No further amendments?

Councilmember Cowden: Could I introduce an amendment at the next meeting?

Committee Chair Kualii: Yes, do you want to work on it now?

Councilmember Cowden: Yes. Actually, I will introduce my amendment. Do we have my amendment?

Committee Chair Kualii: Yes, at least get it out there for receipt.

Councilmember Cowden: I will get it out there for receipt.

Councilmember Cowden moved to amend Bill No. 2774, Draft 1 as amended, as circulated, and as shown in the Floor Amendment which is attached hereto as Attachment 2, seconded by Councilmember Kagawa.

Councilmember Cowden: This amendment is removing the exemption on everything. It is worthy for the conversation and the difference. When we look at Councilmember Evslin's amendment, it puts a cap on the one hundred twenty percent (120%), I see a lot of value in that, however, I would like that to be in consideration if we simply removed it. If so, that would be going back towards the thirty percent (30%) inclusionary, so there would be more at the market rate. I have a question for Mr. Roversi.

Committee Chair Kualii: I am going to suspend the rules and have Housing Director Roversi answer questions from Councilmember Cowden.

There being no objections, the rules were suspended, and proceeded as follows:

Councilmember Cowden: What is eighty percent (80%) of AMI for a two-bedroom for both purchase and rent?

Mr. Roversi: Eighty percent (80%) rent for a two-bedroom unit would be...this includes all of the utilities, it would be one thousand seven hundred forty-nine dollars (\$1,749) per month.

Councilmember Cowden: Okay. There is probably not an eighty percent (80%) purchase or is there?

Mr. Roversi: There is. The purchase price at eighty percent (80%) AMI of a two-bedroom would be three hundred nineteen thousand nine hundred dollars (\$319,900). There is a slight difference in all of these numbers, if we are talking condominiums, because it presumes that they are also going to be paying



a condominium fee. The price is a little less for condominiums. As an example, a two-bedroom condominium priced at eighty percent (80%) AMI would be two hundred seventy-seven thousand two hundred dollars (\$277,200) or less.

Councilmember Cowden: Okay. Just so we have it all, do you have one hundred percent (100%)?

Mr. Roversi: One hundred percent (100%), the sale price of a two-bedroom unit would be four hundred thirty-five thousand seven hundred dollars (\$435,700); that is a fee simple sale price. A condominium unit at that same one hundred percent (100%) AMI, a two-bedroom, would be three hundred ninety-three thousand dollars (\$393,000).

Councilmember Cowden: What would the rents be on the one hundred percent (100%) and eighty percent (80%)?

Mr. Roversi: The eighty percent (80%), a two-bedroom, rent including all utilities, is one thousand seven hundred forty-nine dollars (\$1,749).

Councilmember Cowden: Okay.

Mr. Roversi: Without including utilities, it would be one thousand four hundred thirty-four dollars (\$1,434).

Councilmember Cowden: What is it for one hundred percent (100%)?

Mr. Roversi: At the one hundred percent (100%) number, two-bedroom, inclusive of all utilities, would be two thousand two hundred ninety-one dollars (\$2,291). Excluding utilities, would be one thousand nine hundred seventy-six dollars (\$1,976).

Councilmember Cowden: Okay. Obviously if you have the spread like we have, it pushes the market rates up substantially being that it needs to be paid for somewhere.

Mr. Roversi: I did not follow exactly.

Councilmember Cowden: I am explaining to people who might be listening if we have the spread of eighty (80), one hundred (100), and one hundred twenty (120), that extra cost gets pushed on to the market rate houses.

Councilmember Kagawa: Separate.

Councilmember Cowden: That are in the same kind of...

Mr. Roversi: Generally, that is correct. If the developer is going to be required to produce eighty percent (80%) AMI units, but broadly speaking, those will all be priced at less than what it cost the developer to build them. In order to pay the difference between their costs and the actual sale price they can recover, they will have to make up that loss by charging higher prices for other units.

Councilmember Cowden: We just passed an amendment at one hundred twenty percent (120%) where it would hold them all at the same rate, where the amendment that I just suggested, we are going to have a range of rates, but probably a substantial amount of those units would be above the one hundred twenty percent (120%)? If math holds out the normal way.

Mr. Roversi: Yes, but I would also offer just one other observation. Essentially, if I understand it correctly, your amendment is basically to go back to the status quo...

Councilmember Cowden: Yes.

Mr. Roversi: ...which is the current Housing Ordinance. We have been operating under that ordinance for more than a decade...

Councilmember Cowden: I understand that.

Mr. Roversi: We have received thirty percent (30%) of nothing.

Councilmember Cowden: I understand the implications. I am looking at just the numbers.

Mr. Roversi: I understand.

Councilmember Cowden: I am just making it clear if there was a building build-out at the status quo, there would be less available units at the one hundred twenty (120) amount or less? We are actually putting less units out there available.

Committee Chair Kualii: Housing Director Roversi, I think I can help, because I have actual numbers. If you compared the thirty percent (30%) current policy and then this new policy with the zero and the one hundred twenty (120) cap, if you were looking at two hundred (200) units; I used two hundred (200) because it comes out even. For the thirty percent (30%) of two hundred (200) units, you have sixty (60) affordable units. If you take the sixty (60) affordable units and you break it down with the AMI, that I think we are looking at now as thirty percent (30%) for eighty percent (80%), forty percent (40%) for one hundred percent (100%), and thirty percent (30%) for one hundred twenty percent (120%), you have eighteen (18) units at the eighty percent (80%)—lowest level, twenty-four (24) units at the one hundred

percent (100%) level, and eighteen (18) units at the one hundred twenty percent (120%) level. After the sixty (60), there is still an additional one hundred forty (140) units that could be at the one hundred forty percent (140%) or higher level. If you take that same two hundred (200) with the new amendment and the new direction we are going in, all two hundred (200) are at the one hundred twenty percent (120%) or lower. Our feeling is that when you are talking about multi-family workforce housing and apartment buildings and what he has looked at by surveying on Rice Street, is that it would be lower than that. This one hundred twenty percent (120%) makes sure that it stays at that or lower. Therefore, you would have all two hundred (200) units at one hundred twenty percent (120%) or lower or you would have on the existing side, only sixty (60) units at the one hundred twenty percent (120%) or lower. The added benefit of having a few at eighty percent (80%) and one hundred percent (100%), you would offset the other side by having them all at one hundred twenty percent (120%) or less.

Councilmember Cowden:            Given that, I withdraw my motion to amend.

There being no objections, the meeting was called back to order, and proceeded as follows:

Councilmember Cowden withdrew the motion to amend Bill No. 2774, Draft 1 as amended, as circulated, and as shown in the Floor Amendment which is attached hereto as Attachment 2. Councilmember Kagawa withdrew the second.

Committee Chair Kualii:            Council Chair Kaneshiro.

Council Chair Kaneshiro:            I have a quick question. Adam, is there a website to get the HUD numbers?

There being no objections, the rules were suspended.

Mr. Roversi:                        All of the numbers are on the bottom of the front page of the Housing Agency's website.

Council Chair Kaneshiro:            Okay, thank you.

Committee Chair Kualii:            Councilmember Chock.

Councilmember Chock:            Adam, in the Nexus Study or any other studies that you have come across, have you seen any system where they approached it from a tiered approach and having different options available—anywhere from eighty (80) to one hundred twenty (120)? Certainly different developers, with different situations, in different areas might be able to apply with...

Councilmember Chock: ...the variance that we could offer; have you seen anything like that?

Mr. Roversi: I have not studied the policies in other areas, except for the extent that I relied on the Nexus Report, which studied similar policies in other areas when analyzing our policy. They compared Kaua'i's ordinance with sort of standards nationally in different jurisdictions across the Country that also operated various types of inclusionary zoning policies. Other than that, I am not able to speak to the specific success or failure of similar policies in other places, other than relying on that report. To be honest, I think Councilmember Evslin has probably done more comparative research about other jurisdictions than I have.

Committee Chair Kualii: Councilmember Cowden.

Councilmember Cowden: This one hundred twenty percent (120%) that is going to crossover to the R-20s and the R-10s in all of the other areas. Effectively, when we have this one hundred twenty percent (20%) cap, we are going to be creating more affordable housing wherever they might end up than if we had the thirty percent (30%) with that other range?

Mr. Roversi: That is precisely the goal of the planned multi-family exemption or partial exemption. However we want to phrase it, it is to incentivize getting more of these units quickly built.

Committee Chair Kualii: I think I would add that in the past maybe ten (10) to twenty (20) years ago, everyone believed and maybe it was true too, but everyone wanted a single-family house with a big yard, a fence, and dogs. While that still may be true, people more than that just want a place. They want a place that they can call their home rather living three (3) generations overcrowded in the same house. People are willing now to live in a smaller place and perhaps an apartment without a yard. Of course some people like that because yard work is a lot. We are moving into a different time and the need for so much housing means we need everyone pitching in and building all types of housing for people to live in. I hope we have a lot more town homes, Līhu'e Town Court, and Kalapaki Villas. When I first started out, I lived in Kalapaki Villas.

Councilmember Cowden: I have a final question and I know it is a theoretic question. When I look at this one hundred twenty percent (120%) AMI for the two-bedroom, someone has to rent that for two thousand seven hundred fifty dollars (\$2,750) per month. How do you respond to the fact that probably most people here cannot pay that? Am I wrong on that? I do not know hardly anyone who can pay that.

Councilmember Kagawa: They do.

Councilmember Cowden: Do they pay that?

Councilmember Kagawa: They do.

Mr. Roversi: I certainly hope that much like the existing market conditions on Kaua'i, I went over the price earlier, the income ranges of existing multi-family projects in Līhu'e. No one but the market and the availability of renters is driving these prices. Therefore, if there are no tenants out there who can afford to pay two thousand seven hundred dollars (\$2,700) per month, the owners of the buildings are going to have to charge less or they are going to be sitting empty. If we can generate enough supply, the hope is that the supply of units and the availability of individuals to pay rent will be the controlling factor and not just an arbitrary one hundred twenty percent (120%) number on a chart. My expectation would be that in reality, the actual rents charged or the sale prices of condominium apartments would in fact be below the one hundred twenty percent (120%) number. That is based on the current market. Again, markets are always changing, I am not able to guarantee that in the future. This is an educated presumption based on the facts and information we have available to us today. This is precisely the reason that I encourage there be a sunset provision to this section of the policy, so that as conditions change, Council is required to come back and look at to say, "Has this worked? If it has, we can renew this." If it has not worked, we are being forced to make modifications and either abandon it entirely, change the numbers around, or fix it as conditions require.

Councilmember Cowden: Thank you.

Committee Chair Kualī'i: Are there any final questions for the Director?  
I will call this meeting back to order.

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

Committee Chair Kualī'i: Members, is there any final discussion before I ask for a motion to defer? Councilmember Kagawa.

Councilmember Kagawa: I want to thank you folks for making the decision to defer. I have one (1) request. I hope we can add to the series of meetings individually, maybe perhaps a meeting with a lot of the players all together; Kaua'i Board of Realtors, Contractor's Association, and invite some of the contacts who have contact with developers and perhaps have them all together. I think there is some misunderstanding of what is in the Nexus Report, even Councilmembers are not fully aware of what is in the nexus and the history. If we do not do anything and we get the same results as the past, we will get zero. We need to do something, we need to try to do something different. We need to try and add...again, some people do not like it being called "inventory," but I think it perfectly fits. We have a shortage that Adam just went over, four thousand (4,000) to five thousand (5,000) people without homes and without ownership of homes. What are they doing? They are either living with family or they are renting. Believe me, they are paying enormous rents. A three-bedroom in Hanapēpē goes over two thousand dollars (\$2,000). If you rent a

three-bedroom in Līhu‘e, you will be paying close to three thousand dollars (\$3,000) or more. It is very expensive. People are struggling. Why not just buy a five hundred thousand dollar (\$500,000) house in Līhu‘e when it goes on sale? It is because they do not have the down payment. They are living pay check to pay check. They are paying large sums of monthly rent and they are not able to save for the down payment. That is the problem. We talk about affordable housing. You are not able to only think about the eighty percent (80%) and below. There is a large group from the one hundred forty percent (140%) to the eighty percent (80%) who need homes, and they are proving that if we have the inventory, they will buy. Look at Hanamā‘ulu. It is proven that there is a shortage of homes and it does not necessarily need to be under four hundred thousand dollars (\$400,000), which all of us would love to see—we would love to see that, because that is a realistic number. It is the developers who are going to build it, we do not have the money to build it within our County. We have to rely on the developers. The developers are telling us right now that the one hundred twenty (120) seems skeptical. They do not know if they can do it because of the infrastructure needs and things they have to do prior to building, but it is better than nothing. I am not cutting you down. We would like to achieve the one hundred twenty (120). It sounds reasonable for the developers, but from what they are saying is that the one hundred twenty (120) will get nothing; that is their prediction. We need to leave it at something like one hundred forty (140) and let the market take its place, just like Hanamā‘ulu. We thought Hanamā‘ulu was way overpriced, starting at four hundred forty-four thousand dollars (\$444,000); I thought “no way,” but it totally filled up with local residents. If we do not push out something soon, I feel worried for the future because it takes time for developments to be built. Right now, basically on the private end, we have nothing. It is just County projects that are moving. A lot of the County projects are being geared to the lower AMI, so I think it is about balance. You cannot only make the folks who are above the requirement subsidize the lower amounts. We need affordable housing for everyone. Everyone is important. Not just the folks who are way below. We try to help the needy, that is human nature, but the needy portion is also between the eighty (80) and one hundred forty (140) as well. Thank you, Chair.

Committee Chair Kualī‘i: Is there anyone else with final discussion?  
Councilmember Evslin.

Councilmember Evslin: Thank you Committee Chair Kualī‘i, Council Chair Kaneshiro, and Housing Director Roversi for all the work you folks have done on this and for all the communication that has been ongoing over these last few months, especially these last few days. Regarding all of the testimony that we received, to be honest, I can understand why people are upset. When you hear something that sounds like we are getting rid of thirty percent (30%) of affordable housing or misconceptions that we are exempting all developers, but really the root of this that people are thinking we are getting rid of thirty percent (30%) of affordable housing on Kaua‘i. If we were building other homes and we were really getting thirty percent (30%) affordable, then certainly I would be upset too. Like we said so many times the problem is that that is not the case, right, we are building very few homes

on Kaua'i and the ordinance has never been triggered. Therefore, it is producing a very literally zero. All those ways we kept on trying to cut the thirty percent (30%), the different levels...Adam said it pretty well, none of that matters because we are getting zero. That is the status quo. In the beginning when we heard testimony from the person that used the car analogy and I think it is a relevant analogy. If we are trying to find an affordable car, you buy an older car. I have never owned a car that was newer than ten (10) years old, cars depreciate every year, and we have come to expect that. The only way that would not happen is if we stopped selling cars entirely on Kaua'i. No new cars come in, yet our population keeps growing and the opposite will happen—the cars will appreciate in value every year. That is what is happening to our housing market. We are building so few newer homes on Kaua'i. We used to build on average six hundred (600) homes per year between 1978 and 2010, we were building an average of two hundred (200) homes per year. Not only are we not getting any affordable homes, but we are not building homes to cover our natural born population, which is the largest source of our population growth. That is the source of our housing crisis. Based on the Federal Reserve data of an existing home resale, the cost of housing has gone up fifty percent (50%) since 2012. If you bought a home, the exact same house...my used home bought in 2012 for five hundred thousand dollars (\$500,000), it would be seven hundred eighty thousand dollars (\$780,000) if sold today. It would be a fifty-eight percent (58%) increase. That is forty thousand dollars (\$40,000) per year. That means someone is making nineteen dollars (\$19) an hour, equivalent to a full-time job, based on a rate increasing valuation. It is not as if that money is coming out of thin air—that money is literally coming out of the pockets of my generation or anyone who is trying to buy or rent a house. I was lucky enough to buy a house two (2) years ago in Līhu'e. It was the cheapest house we could find in Līhu'e; it was five hundred seventy-five thousand dollars (\$575,000). I was super fortunate, I got a loan through my parents to do it, and it was out of my price range at the time. To make it work, we had to convert a portion of it to be a rental unit. That exact same house, I checked on Zillow just this morning, it is six hundred fifty-five thousand dollars (\$655,000)—the exact same thing, forty thousand dollars (\$40,000) increase per year on that house. If I had waited, I could not have bought that house right now. This is happening to the next generation. Again, it is coming from our current Housing Ordinance. Back to the car analogy, there is a famous example when Toyota...there were strict quotas on how many cars Toyota could bring in. When they could not bring in that many cars, they wanted to maximize the amount of value that they could of those that they were bringing in, so they invented Lexus to make a higher valued product. I think it is the same thing we are seeing here on Kaua'i and it is clearly what our Housing nexus is saying, right? Our current Housing Ordinance incentivizes the creation of luxury units, because it makes a reverse incentive on density. Luxury units are feasible; the smaller you get the less feasible the units get and then you get to apartments, which are entirely infeasible based on the current markets. Therefore, we have one percent (1%) of housing construction over the last decade in our multi-family districts within our town cores and eighty percent (80%) of construction on agricultural land and no density residential land. According to our General Plan, this is consuming our agricultural land, making people drive farther, it is causing traffic issues, increasing

greenhouse gas emissions, it is causing infrastructure crisis...we are trying to maintain all of this. That is the crisis, right? Regardless of what the details are in the Bill, at the least, I am hoping we are able to get around that and the problem we are trying to solve here...in some capacity. I appreciate all the work that you folks have done. I appreciate that we are having a robust community dialogue on this and I hope we can get to somewhere productive to solve this crisis as soon as we can.

Committee Chair Kualii: Thank you Councilmember Evslin.  
Councilmember Chock.

Councilmember Chock: Thank you. Let me take a different approach and say, you know what we have heard in the last week was, "Say 'no' to Bill No. 2774," and it was based on this scathing article about the downfalls of it. I can tell you right now that no one is happy with the current version of this Bill. The developers are not happy with not getting the one hundred forty (140) AMI. The affordable housing advocates are not happy unless they get the one hundred (100%) AMI. In many ways, I feel like our job has been to try and find that balance in order to get a sweet spot so that something happens. If we do not do anything, we will get more of nothing—that is very clear. To all of those people who are emailing and saying, "Kill the Bill," I would respond and say that you do not want that. What we need is constructive interaction. Come to the table and problem solve to decide what that sweet spot is. I believe we are moving towards this. I want to thank the introducers for at least allowing us to have that conversation. We are here today, based on some of the conversation and feedback that we received, we have put together the one hundred twenty (120) AMI on this exemption, which is really taking away from the exemption, but I think it is in response to what the community's concern and fears are about not having any affordable housing. Is there more to do? Yes, absolutely. I am looking forward to actually taking this piece by piece—the thirty percent (30%), the Nexus Report maybe on another meeting, so that we can get to a resolution on this. I do not think anyone will be truly happy in the end and you know what, that might be okay. Thank you.

Committee Chair Kualii: Councilmember Cowden.

Councilmember Cowden: I want to just extend my appreciation to everyone and when I was looking at the newspaper...we have someone saying something for it and someone saying something against it. I am really glad that there is engagement. I thank everyone who wrote the letters and many people were advocating for people who have less than they do, so it was not all selfishly placed in there. It has made a difference in having people come together. I am happy that we have moved to a point where it is actually better than it was, right? Possibly, as long as we can figure out a way to build it and in agreement with what is being said, we are by no means done. I would encourage different community associations in different areas to actually pay attention to what this is, because I know I would like to see it be considered in each of our different regions of the island. The more we all come together, the better it is.



Committee Chair Kualii: Is there anyone else? Councilmember Evslin.

Councilmember Evslin: I realize that maybe I got too lost in my analogy there and I might have gotten emotional at the end and forgot my point. The point is that we need the exemptions or some form of the exemptions to incentivize housing within our town cores. Literally the majority of affordable housing around the country comes from aging homes filtering into the affordable housing market. That does not happen in Kaua'i. My point was to say that the opposite of that is happening. Our old homes are skyrocketing in price. The only way to get our old homes to at least stabilize in value is to get housing supply that can approximately match the approximate increase in demand, or an increasing population growth on Kaua'i. The last two (2) last things I will finish up with—there is so much evidence out there of “too high” affordable housing requirements leading to less construction, higher home prices across the board and more luxury housing units. This is the problem that is happening everywhere in a similar way. I would have to say, personally, for me that I was not always onboard with this. Two (2) years ago, it did not make sense to me. Why would you try and reduce affordable housing requirements to produce more affordable housing? I went to a panel discussion for affordable housing at a planning conference. One of the panelists there had this great quote, which has stuck with me ever since. I wrote it down on the spot and I would like to quickly read it. An affordable housing advocate said, “If cities began adopting ten percent (10%) or twenty percent (20%) inclusionary zoning policies, it becomes a housing suppression tool. You will self-righteously produce less housing to the detriment of black and brown people. This is fueling the problem in cities that could be and should be (Inaudible).” At the time when I heard that I was totally shocked. It is like she was speaking right to me, I have been an advocate of this exact thing and since then I tried to do my best to understand the problem. I think that this Bill gets to the heart of a lot of that and I appreciate all the work that has been done.

Committee Chair Kualii: Thank you, Councilmember Evslin. Is there anyone else? I will not repeat what everyone has said, I appreciate everything that you have said—I ditto that. I just want to say that I appreciate all of your work today, your continued work, and I look forward to us continuing in the next couple of weeks. One thing that I will say is that, yes, I appreciate us acting on this one hundred twenty percent (120%) AML. As the Housing Director called it a partial exemption, in many ways what it also is, is another assessment that is different. Rather than the thirty percent (30%) assessment, which gets you  $x$  amount of units below one hundred twenty percent (120%), but it gives you some at eighty (80) and some at one hundred (100), it is one hundred percent (100%) that is under one hundred twenty percent (120%) for these specific areas and for the R-10 density. If you just look at the numbers, there is a value call, because you are giving up some at the eighty (80) and one hundred percent (100%), but you are getting all at the one hundred twenty percent (120%) or lower. Again, what the Housing Director has shared with us about the apartments, the market, and as it is now, it is our hope that it will stay there or that when we have more supply of these multi-family workforce housing that it will help keep the prices down or it will bring it down further with greater supply. I am

looking forward to the next few amendments next week, two (2) weeks from now. Unless anyone has anything else to say, I will ask for a motion to defer.

Upon motion duly made by Councilmember Chock, seconded by Councilmember Kagawa, and unanimously carried, Bill No. 2774, Draft 2 was deferred.

There being no further business, the meeting was adjourned at 2:28 p.m.

Respectfully submitted,



KarLyn Sukehira  
Council Services Assistant I

APPROVED at the Committee Meeting held on August 5, 2020:



KIPUKAI KUALITI  
Chair, HIR Committee

\*Beginning with the March 11, 2020 Council Meeting and until further notice, Councilmember Arthur Brun will not be present due to U.S. v. Arthur Brun et al., Cr. No. 20-00024-DKW (United States District Court), and therefore will be noted as excused (i.e., not present).