

COUNCIL MEETING

SEPTEMBER 1, 2021

The Council Meeting of the Council of the County of Kaua'i was called to order by Council Chair Arryl Kaneshiro at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Wednesday, September 1, 2021 at 8:37 a.m., after which the following Members answered the call of the roll:

Honorable Bernard P. Carvalho, Jr.
Honorable Mason K. Chock
Honorable Felicia Cowden
Honorable Bill DeCosta
Honorable Luke A. Evslin (*via remote technology*)
Honorable KipuKai Kuali'i
Honorable Arryl Kaneshiro

Council Chair Kaneshiro: Good morning. Today's meeting will be conducted pursuant to Governor Ige's COVID-19 Response Emergency Proclamation with the most recent relating to the Sunshine Law dated August 5, 2021. For the record, we have no registered speakers today for any of our agenda items.

APPROVAL OF AGENDA.

Councilmember Kuali'i moved for approval of the agenda, as circulated, seconded by Councilmember DeCosta.

(No written testimony was received and no registered speakers requested to testify regarding this agenda item.)

The motion for approval of the agenda, as circulated, was then put, and unanimously carried.

Council Chair Kaneshiro: The motion is carried. Next item are the minutes.

MINUTES of the following meetings of the Council:

August 18, 2021 Council Meeting
August 18, 2021 Public Hearing re: Bill No. 2825, Bill No. 2826, Bill No. 2827, Bill No. 2828, and Bill No. 2829
August 25, 2021 Special Council Meeting

Councilmember Kualii moved to approve the Minutes, as circulated, seconded by Councilmember Cowden.

Council Chair Kaneshiro: We received no written testimony, and there is no one registered to speak. Are there any questions or is there any discussion on this item from the Members?

(No written testimony was received and no registered speakers requested to testify regarding these agenda items.)

The motion to approve the Minutes, as circulated, was then put, and unanimously carried.

Council Chair Kaneshiro: The motion is carried.

CONSENT CALENDAR:

C 2021-203 Communication (08/16/2021) from the Director of Finance and Accounting Systems Administrator, transmitting for Council information, the Inventory Report for the Fiscal Year Ending June 30, 2021.

Councilmember Kualii moved to receive C 2021-203 for the record, seconded by Councilmember Carvalho.

Council Chair Kaneshiro: We received no written testimony and there is no one registered to speak on this item. Are there any questions or is there any discussion from the Members?

(No written testimony was received and no registered speakers requested to testify regarding this agenda item.)

The motion to receive C 2021-203 for the record, was then put, and unanimously carried.

Council Chair Kaneshiro: The motion is carried. Next item.

COMMUNICATION:

C 2021-204 Communication (08/11/2021) from the Housing Director, requesting Council approval to apply for, receive, and expend Federal funds, in the amount of \$277,662.00, and approval to indemnify the United States Department of Housing & Urban Development (HUD), for the continuation of the two (2) Housing Choice Voucher Family Self-Sufficiency (HCVFSS) Program Coordinator's salaries and fringe benefits.

Councilmember Kualifi moved to approve C 2021-204, seconded by Councilmember Cowden.

Council Chair Kaneshiro: We received no testimony and there is no one registered to speak on this item. Are there any questions from the Councilmembers? I will suspend the rules. Councilmember Cowden.

Councilmember Cowden: Thank you, Adam. This is a simple question. Is this new funding or is this continuing what we are already working on and what we already have? Are these new employees?

There being no objections, the rules were suspended.

ADAM P. ROVERSI, Housing Director (*via remote technology*): Aloha, Councilmember Cowden. Adam Roversi, Housing Agency. There are no new employees. This is the annual submission that we have done for the last twelve plus (12+) years. We are required to reapply every year for the Federal funds. The employees are already on staff and funded through last year's application with a small amount of County funding. HUD rules have changed to allow us to apply for the full cost of the Family Self-Sufficiency (FSS) employees. In the past, it did not quite cover both positions that we have, but this finally will. It is a little more than what we applied for in the past years.

Councilmember Cowden: Thank you for this effort. I appreciate the work that the staff is doing. I know that it has been particularly a challenging year. Thank you very much.

Mr. Roversi: Thank you.

Council Chair Kaneshiro: Are there any further questions from the Members on this item? If not, I will call the meeting back to order.

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

Council Chair Kaneshiro: Is there any final discussion?

(No written testimony was received and no registered speakers requested to testify regarding this agenda item.)

The motion to approve C 2021-204 was then put, and unanimously carried.
Council Chair Kaneshiro: The motion is carried. Next item.

LEGAL DOCUMENTS:

C 2021-205 Communication (08/05/2021) from the Acting County Engineer, recommending Council approval of a Grant of Non-Exclusive Easement between the County of Kaua'i and the State of Hawai'i, Department of Land and Natural Resources (DLNR), for a "Perpetual Non-Exclusive Pathway Easement, Easement P-1" situated at Tax Map Key (TMK) Nos. (4) 3-6-002:021 (por.) and (4) 3-6-002:022 (por.), Līhu'e, Kaua'i, Hawai'i, to allow for construction of the shared-use path between Elsie H. Wilcox Elementary School, the Kaua'i War Memorial Convention Hall, and the Līhu'e Ball Park.

- Grant of Non-Exclusive Easement

Councilmember Kualii moved to approve C 2021-205, seconded by Councilmember Carvalho.

Council Chair Kaneshiro: We did not receive any written testimony and there is no one registered to speak on this item. Are there any questions from the Members? I will suspend the rules. Councilmember Cowden.

Councilmember Cowden: Thank you, Doug. Is this the path that is already cemented in? I use this regularly. Is this already built?

There being no objections, the rules were suspended.

DOUGLAS HAIGH, Chief of Buildings (*via remote technology*): Good morning. This is Douglas Haigh, Department of Public Works, Building Division. Yes. This is a project that we built as part of the Transportation Investment Generating Economy Recovery (TIGER) project for the Līhu'e Town Core Mobility and Revitalization Project. It is taking a long time working with the State to get to this point, but we are here and ready to finalize the documents.

Councilmember Cowden: Is this just paperwork? The project is already done.

Mr. Haigh: Yes. The construction is done and the landscaping has grown in. I just walked the area a few days ago and I think it looks nice. I am pleased with the way it turned out. Lee Steinmetz did a great job helping us with the landscaping. We put in a bioswale in that area. We worked with Elsie H. Wilcox Elementary School throughout the entire project and coordinated our designs with them. People are using it and it is great.

Councilmember Cowden: I would like to compliment the landscaping featuring Native Hawaiian endemic and indigenous plants. That is great, thank you. Why is the paperwork completed later, it takes a while, but it is done? Thank you.

Mr. Haigh: I was disconnected for a bit; I am not sure if there were any further questions?

Councilmember Cowden: It is all good, thank you so much.

Mr. Haigh: You are welcome.

Council Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Doug, regarding the TIGER grant and the proposed pathway easements, is there anything additional that is outstanding?

Mr. Haigh: There is an easement with a property owner along Rice Street that we will be forwarding to Council soon for signature. We are purchasing this easement for approximately six thousand dollars (\$6,000) to seven thousand dollars (\$7,000) that will be funded with the TIGER project. There was a discrepancy in the document, and we had to pull it back. That is the last land acquisition that would be associated with the TIGER project.

Councilmember Chock: In terms of the coastal pathway, are any of these integrated?

Mr. Haigh: I would say, yes. Nāwilili to Ahukini Landing bikepedestrian path section always had a component tying into the Līhu'e Town Core. Through the Hardy Street project and the TIGER project that we did quite a few years ago, we were able to implement some of those improvements. This project that we are talking about today was specifically a part of that and making that connection from the Kaua'i War Memorial Convention Hall to the Līhu'e Civic Center with a walking path. We were able to leverage other projects to get some of the planned bike path project done. We are really good on our connection now from the Vidinha Stadium all the way to the Līhu'e Civic Center. That is exciting. That connection happened with various other projects. Once Grove Farm does their subdivision, hopefully there will be a more direct connection, but that is in the future.

Councilmember Chock: Thank you. Last question. Can you tell me where exactly on Rice Street that outstanding easement will be?

Mr. Haigh: The Yoneji Building at the corner of Rice Street and Kalena Street.

Councilmember Chock: Okay. Thank you.

Mr. Haigh: You are welcome.

Council Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: Hi, Doug. While you and Councilmember Chock were talking, you touched on what I was going to ask, too. The portion where the Elsie H. Wilcox Elementary School tennis courts are, and you go into the neighborhood, if you were to go directly across to the Kaua'i Police Department, you talked about a future road with Grove Farm. Is there money from the TIGER grant for that path?

Mr. Haigh: No. We have committed all the funds for the TIGER grant. We have completed the scope that was part of the TIGER grant, because it did have a specific scope. No, we do not have TIGER funds; but future Federal Highway funds could be available. We are working on the land acquisition related to the matter presented before the Council a few weeks ago for the hotel properties. We are hoping to get donated land, which will continue to build our soft match. When Federal funds are available to build more bike paths, we will have Federal funds without having to provide County funds and be able to use the soft match from the land acquisition donations.

Councilmember Kualii: For now, the connection from the Elsie H. Wilcox Elementary School area to the Vidinha Stadium is either along Rice Street or through the neighborhood?

Mr. Haigh: That is correct. We put in a very nice shared-use path improvement along Ho'olako Street that would connect from Ace Hardware to the Vidinha Stadium. That improvement was included in the Rice Street TIGER project.

Councilmember Kualii: Right. That is beautiful. Thank you.

Mr. Haigh: You are welcome.

Council Chair Kaneshiro: Are there any further questions from the Members? If not, I will call the meeting back to order. Is there any final discussion from the Members? Councilmember DeCosta.

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

Councilmember DeCosta: Hi, Doug. Thank you for everything. We like to walk that path from Ace Hardware to the Vidinha Stadium. Thank you for doing that. When the Kaua'i County Farm Bureau Fair is going on, it is quite dangerous to walk. My wife would wear her heels at times and would trip. Thank you so much for

that. Doug, I would like to discuss a little regarding the foliage. The Native Hawaiian and endemic plants that we plant, the watershed area in Līhu'e is a little different than Kōloa. I noticed that there is a nice roundabout being built in Kōloa. As a future suggestion, Kōloa being a dryer area, an "Arizona look" with gravel and cactus would be very cute and low maintenance. I am always looking at something that looks nice and does not cost the County a lot of money to maintain. I am throwing it out there as I saw the roundabout in Kōloa yesterday.

Council Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I am thankful that we are implementing walking paths. I know that I really work hard to get walking in, and it makes it easier on both the traffic in town and going from one point to the other. What I did not hear the last time is that I like that we are emphasizing our Native Hawaiian plants.

Council Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: Councilmember Cowden, I would like to piggyback on what you said regarding walking paths. I enjoy the Kukui'ula walking path leading up to beautiful homes. Although I cannot afford to live there, the view is beautiful. I encourage the locals to walk the Kukui'ula path and enjoy the view. It is beautiful.

Council Chair Kaneshiro: Councilmember Evslin.

Councilmember Evslin: I would like to express my appreciation for that path. I use it often. As previously said, the landscaping and lighting is great. I do not know who chose the lights, but they are fantastic. They look like overhead lamps. It really does connect two (2) parts of Līhu'e. It is a good thing that I am not a land use planner, because when looking at that ditch area before, I would have never thought that this was a great area for a path, but it really is. If you go there in the morning or afternoon, there are so many residents doing that loop of Hardy Street. It is a great way not only to make Līhu'e more accessible by foot, but also to encourage people to get out there and get exercise. That goes for all the paths that were built through the TIGER project. Thank you to everyone involved, but especially Councilmember Carvalho. As the former Mayor, all of his leadership in pushing that through. That really is an all-around fantastic project.

Council Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Thank you, Doug. I appreciate us moving forward on this. Since we are talking about landscaping, I had a conversation about how to maintain these areas. My understanding from the conversation was that the maintenance and cost is not included moving forward and with the TIGER grant. I

have been paying attention while driving around, I do think we need to answer the question. Doug, as a follow-up question, can we get clarification on how we intend to maintain this work that we invested in on Rice Street and along the pathways? Thank you.

Council Chair Kaneshiro:

Councilmember Carvalho.

Councilmember Carvalho: I just wanted to say that I really appreciate all the hard work, Doug Haigh, the entire team, and everyone involved. It does not matter what Administration...everyone. Seeing this come to life especially during this time when people need to walk, bike, and enjoy the outdoors with their families, I think it is inspirational for me to see that. Whether it is a visitor or aunties and uncles...at one point, they were not too keen about it; however, they love it now and especially all the connecting parts. I also enjoyed the opportunity to include the youth. As you walk around the path, you can take your phone and place it on the Quick Response (QR) codes and get information on the museum or key areas along the walking areas. I did not know about that, but that is a nice addition to the informational pieces where people can walk and hear about the museum, et cetera. I appreciate all the hard work. Without going into the specifics, a lot of funding went through along with a lot of dialogue and reaching out. The bottom line is the reality of it, you can get from the Historic County Building to the Vidinha Stadium, and connect down and across the street. I appreciate everything, *mahalo* for all the hard work.

Council Chair Kaneshiro:

Councilmember Kualii.

Councilmember Kualii: Yes, I too, would like to say *mahalo nui loa*. It has been a long time in the making. From when I moved back home over twenty (20) years ago, I came from the city of West Hollywood, California, which is a very pedestrian-friendly city. I never owned a car there and I walked everywhere. When I look at Lihu'e Town, I always hoped that it would become more pedestrian-friendly. From the earlier years with Get Fit Kaua'i, Bev Brody, and the gang, this was important. You must keep moving in that direction because it is important to our quality of life, people's health, including their mental health...getting out and getting fresh air. Taking advantage of what we have here with environmental beauty and *mana* in the air. Keep up the good work, thank you.

Council Chair Kaneshiro:

Is there anyone else? If not, the motion on the floor is to approve.

(No written testimony was received and no registered speakers requested to testify regarding this agenda item.)

The motion to approve C 2021-205 was then put, and unanimously carried.

Council Chair Kaneshiro: The motion is carried. Next item.

C 2021-206 Communication (08/11/2021) from the Housing Director, requesting Council approval to perform the following:

- a. Acquire under the County's Community Development Block Grant (CDBG) Program a residential unit at 325 Molo Street, Kapa'a, Hawai'i, 96746, Tax Map Key (TMK): (4) 4-2-17-48, for a purchase price of not more than \$600,000.00, based on the fee simple market appraisal, which will be obtained as part of this transaction;
- b. Resale by leasehold of 325 Molo Street, Kapa'a, Hawai'i, 96746, for not more than the leasehold market appraisal, which will be obtained as part of this transaction; and
- c. Authorize the County Clerk to sign legal documents related to the acquisition and resale transactions.

Councilmember Kualii moved to approve C 2021-206, seconded by Councilmember Carvalho.

Council Chair Kaneshiro: We did not receive any written testimony and there is no one registered to speak on this item. Are there any questions from the Councilmembers? I will suspend the rules. Councilmember Cowden, followed by Councilmember Kualii.

Councilmember Cowden: Adam, thank you. Can you give us an explanation about this property and why it was chosen? It looks like it already has a buyer.

There being no objections, the rules were suspended.

Mr. Roversi: Aloha, Councilmember Cowden. The very end of your question cut off, I did not hear you.

Councilmember Cowden: Can you give us the background on why this house was purchased and how much the County will end up investing? I see the cost is six hundred thousand dollars (\$600,000) to buy it, but I know we turn around and sell it. I am wondering what the variance is and how it works.

Mr. Roversi: Sure. Adam Roversi, Housing Director, Housing Agency. This requested purchase is part of our regular homebuyer program. We currently have a pool of thirty (30) homes throughout Kaua'i that we purchased and resell as limited appreciation leasehold properties. The County retains ownership of the dirt, but sells the vertical homes to qualified Kaua'i residents. We operate that program under different funding sources. Depending on the funding source at the time, different requirements are attached to the resale of the house. For this particular

property, we are using Community Development Block Grant (CDBG) funds which imposes a requirement that when the home is resold, it is made available to people who make eighty percent (80%) of the Area Median Income (AMI) and below. I do not have the chart in front of me, but while we are talking, I can get it up to let you know exactly what that dollar amount is. Essentially, we purchase homes at market rate and we resell them at below market rate. The CDBG federal funds are providing a subsidy that allows us to resell the house at an affordable rate to qualified Kaua'i residents who come from our resident homebuyer list. In order to get on the homebuyer list, you have to take a homebuyer education course, be a Kaua'i resident, meet other requirements, cannot have another home, it has to be for your principal residence, et cetera.

We solicit from the homebuyer list for future buyers of new homes. We work with several different realtors around the island. Our funding sources for the homebuyer program are relatively erratic, because we do not always know in advance when we are going to have bursts of income from the CDBG program. For example, we have quite a few home loans where a lot of people refinanced recently. We had a burst of CDBG income because refinancing is very attractive now. When we do have income, we reach out to our real estate partners for tips and recommendations on homes. We are obviously looking for homes that we can afford because we do not have the funds to buy million-dollar plus (\$1,000,000+) homes, which has become more of a reality on Kaua'i. We target homes that are built after 1978 so that we do not have to deal with Federal lead paint requirements that requires experts to fly in to do paint testing which can overly complicate the project. We do not shy away from homes that need work. We think that is broadly a benefit to the community to use Federal funds to fix homes, get them back into shape, and put them back into the affordable housing pool. In the same token, we are not looking for homes that are going to require extreme levels of rehabilitation simply because we do not have the staff and the time to manage yearlong rehabilitation projects. A little fixing up on a home is fine, we aim for middle ground.

We try to move geographically around the island. For example, the last homebuyer project was in Līhu'e. When we began searching for a new home, we tried searching for somewhere outside of Līhu'e to create a diverse geographic pool of homes around the island and not only focusing in one area. Broadly speaking, we shy away from North Shore purchases because prices have become unattainable even with Federal funding.

Councilmember Cowden: I am thankful for this CDBG funding. That makes the equity of the home stronger. When someone gets a loan for a leasehold property, does it go through the regular lenders or do they need to go through a specific lender when they do not own the dirt underneath the house?

Mr. Roversi: There is a smaller pool of lenders that are open to lending on leasehold properties. The buyers of these homes are going through the

private market for loans. We have a few repeat loan providers that are familiar with the leasehold concept and willing and able to provide financing for these projects.

Councilmember Cowden: Do, you help the buyer find them?

Mr. Roversi: Yes.

Councilmember Cowden: Okay, thank you. Thank you for the work.

Council Chair Kaneshiro: Councilmember Kualii, followed by Councilmember Evslin.

Councilmember Kualii: Thank you, Adam. I appreciate all that information and I think it is good for our constituents to hear about the program. You may have already answered my question, but I am curious about...you said the funding sources is somewhat erratic. I am wondering if there are sources of funding other than CDBG or the Federal government for the homebuyer program?

Mr. Roversi: Homes enter our homebuyer programs one (1) of two (2) ways. We have unexpected and/or planned Federal funds that we can use to go out into the market and purchase homes. Secondly, for past affordable housing projects we have buyback requirements. For example, six (6) months ago we bought back a home in the Ho'oluana at Kohea Loa subdivision and resold it in our homebuyer program. We also repurchased a home in the Kamamalu Condominium project in Lihu'e. For those projects, we typically use the County Development Fund which is General Funded. That is an alternative source of funding that we always have available that we use for buybacks that come randomly and unexpectedly. We have that funding available to do that.

Councilmember Kualii: If you expended all the CDBG funds for this specific program and there was a good opportunity where a home became available for a good price that you would want to get into this program, could you go after the home with the County Development Fund?

Mr. Roversi: We could, but I would note that our entire County Development Fund budget is approximately two million six hundred thousand dollars (\$2,600,000) a year. Broadly speaking, it is more productive to leverage those funds for larger projects. The Development Fund is what makes things possible like the Pua Loke Street apartments which is fifty-four (54) units. By leveraging some of those development funds with other Federal funds, we can get big projects like that off the ground. If we use the two million six hundred thousand dollars (\$2,600,000) often for the homeowner's program and we buy six hundred thousand dollar (\$600,000) to seven hundred thousand dollar (\$700,000) homes, we would quickly eat through our

Development Fund and it provide a relatively small number of units compared to how we can leverage those funds more productively for bigger projects.

Councilmember Kualii: I should say that I know that prior to COVID-19 when we were looking at the budget, we were looking at that funding being five million dollars (\$5,000,000). With COVID-19 and the different budget cuts, we brought it down to two million five hundred thousand dollars (\$2,500,000). Obviously, if we had more money there, we could get more homes into our people's hands. When you said that we keep the land, they are basically buying the home and because we keep the land, we keep the ability...and it is required because of CDBG funding, right, under the eighty percent (80%) AMI that you mentioned. When the home is resold, it remains affordable, and it gets sold to another family that is eligible.

Mr. Roversi: Correct. The way that our leasehold program currently operates, we refer to it as a "limited appreciation leasehold sale program." For example, if a qualified homebuyer purchases the leasehold, I believe it is a 90-year lease that they can "will" to their children or it can be transferred between family members. If they want to sell, move on, leave the island, or move to a bigger home, there is a formula within the housing policy that essentially splits appreciation on the home and not the dirt, between the homeowner and the County. Unlike being in a rental situation where the tenant would move out and essentially have nothing, the leasehold seller is going to leave with a pile of funds that they can use as a down payment on another house or it provides a long-term appreciation benefit to them, but not so much that it is driving the home to an unaffordable market rate for the next homebuyer. By keeping control of the land, we can control the resell process in the future, and keep the home affordable essentially permanently. It is unlike instances in the past like Courtyards at Waipouli where the units stay affordable for only ten (10) years and then they became market rate units. We can keep this pool of homebuyer resold properties essentially affordable for the foreseeable future or at least our lifetime.

Councilmember Kualii: That is the incredible thing and why it is a win-win because it stays affordable. The homeowner can use it as a stepping stone, if you will, from their first home. They get a little bit of equity or a reasonable amount to invest in the next home, and the County keeps a reasonable amount of equity to continue the program. My last question has to do with when you talked about a list. What is that list to get into this program, how many are on this list that are waiting, and how does a person get onto the list?

Mr. Roversi: The County Housing Policy establishes a County homebuyer list that the Housing Agency maintains. I believe we currently have, and this may not be the exact number, but I am within ten (10) or twenty (20), I think we currently have approximately nine hundred thirty (930) people on the County's homebuyers list. To get onto the homebuyer list, you have to be a Kaua'i resident, over the age of eighteen, cannot already own a home...this is for first-time

homebuyers and purchasing of principal residence. You also must take a homeowners education class, which is designed to make the people on the list purchase-ready so that they understand credit scores and the mortgage process. When and if they are selected from the list, they can qualify for a loan and quickly move through the purchase process. For better or worse, we have nine hundred thirty (930) or nine hundred forty (940) or so people on the list. The list has been built since 2008, and many people on the list are no longer active. We do not have nine hundred forty (940) people actively waiting on that list. The Ordinance requires that the people stay on there effectively forever. We have active and inactive homebuyer applicants. An anecdotal story, when we recently sold a homebuyer property on Hardy Street in Līhu'e, we sent out marketing materials to everyone on the list. I believe for that property, we had a high response rate, but out of the nine hundred (900) plus flyers we sent out, I think we received eighteen (18) letters of interest from people who would be interested in the Hardy Street house. It is less daunting than it may seem to a member of the public who might be contemplating putting themselves on the list. Despite the high number, if you pay attention to the marketing flyers that are not incredibly demanding that you live in one specific geographic area, it can provide housing opportunities.

Councilmember Kualii: You said that the Ordinance requires keeping people on the list, but you also said that there are requirements for first time homebuyers. Could there be people on that list that have been on the list for ten (10) years that have already bought a home?

Mr. Roversi: Correct. It is administratively difficult to maintain because people do not always keep their addresses updated and they do not inform us if they already purchased a house. We no doubt have many people on that list who are no longer qualified. We would know that if they came to buy a home because we must go through the process.

Councilmember Kualii: Maybe mailing out to nine hundred (900) people and only hearing back from eighteen (18) is not the best practice. I do think if the number is high, we obviously have a lot of work to do to get more homes for our people. Thank you.

Council Chair Kaneshiro: Councilmember Evslin.

Councilmember Evslin: Thank you. Adam, thank you for the overview of this program. It seems like it has been a while since you have come to us. It seems that we used to receive these regularly and it could be that I have lost sense of time during this pandemic. It seems that we had less and less of this overtime. As the market rate of housing continues to outpace median incomes, is that true and are you folks doing less of these or are you having a harder time trying to find homes that can fit into your price point range that makes it worthwhile?

Mr. Roversi: I have been at the Housing Agency for two (2) years. In the period that I have been here, my sense is that we do two (2) to three (3) homes per year for the homebuyer program. It has certainly become more challenging as I understand from my staff who has been around longer than I have. Given our limited pool of funding, it was much easier to do more when homes were three hundred fifty thousand dollars (\$350,000) than it is now because our entire CDBG annual allocation is seven hundred fifty thousand dollars (\$750,000). It varies a little bit each year, and the level of income from that program varies significantly. Yes, the rising cost of houses has made it more difficult to actively find homes to add to this program. We find it increasingly in the relatively recent past, that we are competing with market rate buyers for homes. Now, we are seeing that when a home is listed, there are quickly six (6) to eight (8) offers at or above the asking price. The Housing Agency is competing with flush and capable private buyers which has made it more difficult. It is worth noting that the homebuyer list is also utilized or will be utilized for larger projects like Lima Ola. When we have the single-family homes for sale at Lima Ola, the prospective buyers for the thirty-eight (38) homes will all be drawn from the homebuyer list. The homebuyer list is utilized outside of just this homebuyer program for bigger projects as well.

Councilmember Evslin: I have a few follow-up questions from that. Hopefully from market trends and some of the efforts that we have taken as a Council in the last few years, the rate of increase does not continue as it is. If we do continue down this road, do you foresee this homebuyer program no longer being feasible in the future just because the market price of housing is too high or you are having to use too much of the Housing Development fund to subsidize these to make it worthwhile.

Mr. Roversi: Conceivably. The aspects of the program that are dependent on going into the private market to buy existing homes could conceivably become infeasible. Our homebuyer program would essentially fall back on homes that we are able to build ourselves, control, and realize some type of economy of scale as opposed to going out and buying existing single-family homes. We have seen this already. I have mentioned that we do not even bother to look on the North Shore anymore. We have become more geographically restricted as to where we can target to look for homes and purchasing homes in more affordable areas of the island.

Councilmember Evslin: For the CDBG funds that are used for the homebuyer program and if this program is phased out because it becomes infeasible because the market price is too high, can you roll those funds into building houses or building infrastructure? Is it strictly allocated towards this program?

Mr. Roversi: Right. The CDBG program statewide, but also County specific, prepares a five-year action plan every year that is submitted to the HUD. It lays out an array of programs in that action plan that we can use the funds for. The homebuyer purchase program is one of the possible actions within that plan.

We are authorized to and have done loans in the past. We can provide home loans to people who are seeking their own home. I need to verify this with my staff—the CDBG funds cannot be used for home construction, but it can be used for infrastructure improvements or to put in a sewer line that would facilitate home construction or rehabilitation. For example, the sewer projects that we come to you every year with when we give out the CDBG grant like solarizing an affordable housing project, sewer line improvement or an improvement of a County park with the addition of a bathroom. Single-family home construction is not one of the allowable uses in the action plan, but a lot of other things that surround making affordable housing possible are in the action plan. It is complicated. It is a long rambling answer to your simple question.

Councilmember Evslin: No, that is a perfect answer. Finally, my last question. You said you received eighteen (18) letters of interest for the Hardy Street home sale. I do not know how many of those people ended up following through to put an offer in or apply for the program. Is it lottery after you get the pool of applicants or how do you choose who is going to get the house?

Mr. Roversi: Everyone on the homebuyer list has a number depending on the time they applied. You keep your number until you either purchase a home or withdraw yourself from the list. Let us say, we received eighteen (18) letters of interest. Each of those people have a priority number assigned to them. We begin with the person who has the lowest homebuyer number. They have a certain period to present us with a loan prequalification letter. If they can do that, we enter the purchase process, they try to get a loan and close the financing on the project. If for whatever reason they cannot get that prequalification letter or they cannot qualify for financing, we would then go to the next person on the list in priority. They are also, in that process, having to provide us with updated income documents to demonstrate they qualify under whatever funding program we have. Occasionally, someone will be on the homebuyer list, but they are maybe over the income threshold for the particular project that has funded the home that we are dealing with at the time. We are not always selling homes just at eighty percent (80%) AMI. If we are using a different source of funds, we may be able to sell it to a different income bracket of people. Each home is a little different and the income qualifications will be a little different.

Councilmember Evslin: Is the prioritization strictly when they got on the homebuyer list, or are there other aspects that lead to them moving up in prioritization?

Mr. Roversi: For the homebuyer list, it is purely who got on first. It is first-come, first-served. For other types of projects, there are different preferences that can be imposed based on area of employment and things like that, but that is not part of the homebuyer program.

Councilmember Evslin: Thank you.

Council Chair Kaneshiro:

Councilmember DeCosta.

Councilmember DeCosta: Councilmember Evslin, you were pretty explicit with all of your questions. You covered a lot of my questions. Adam, I got excited when you mentioned the Lima Ola project and having that 90-year lease possibly going towards the project. Is that something that is set in stone or are you still talking about that right now?

Mr. Roversi: We are still talking about that right now. The development of the single-family homes at Lima Ola will be dependent on a Request for Proposal (RFP) process. We will have to put together a package of what it is that we are looking for from a potential developer who will be looking to partner with the County to build the homes. It will be up to them to come back to us with the best plan and we will select amongst those plans. We are also working with an array of lenders at the moment to be sure that we have loan providers lined up that would be ready, willing, and able to loan on those types of leasehold properties. We do not want to establish a system, build thirty-eight (38) homes, and find out that the potential buyers cannot find loans. We want to be sure we have lenders set up in advance. Long story short, it is not set in stone. We are still investigating all the issues that might arise in advance before we pull the trigger on moving forward.

Councilmember DeCosta: Adam, I am really sorry if I confused you. I just want to make it clear for the people watching...we all know that real estate prices are very much out of control. Our local kids coming back from college are being priced out. This is possibly the best idea in front of us right now, to have these homes be retained by the County. It can be sold at the market value. Am I correct? If the homebuyer wants to use this as a stepping stone to purchase another home...let us say that a family has two (2) sons and a daughter all back from college, this is the first home they buy with their children, can they leave this home to one of their kids after paying that mortgage for five (5) years to buy a second home or are they not able to retain that home for their family? Can they only have one (1) of these leased homes in their immediate family?

Mr. Roversi: The homes can be transferred to immediate family. I would have to pull up the exact language, but it has to be immediate family such as children and grandchildren, for example. You cannot give it to a third cousin three times removed. The parents could then move on, and it could be given to their kids, for example.

Councilmember DeCosta: Again, we are excited that this can help more than just one (1) family member. Since we represent all our constituents, I need to say that it looks like the people that may not be happy with a program like this are our realtors. I do not know how they would make any profit off of that. I wanted to just mention that right now. Thank you, Adam, for all your hard work.

Mr. Roversi: Thank you.

Council Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: This is a follow-up since you mentioned the Lima Ola project. Councilmember DeCosta asked about that as well. With this homebuyer program, you said it was limited to first-time homebuyers. Would a project like Lima Ola also be limited to first-time homebuyers?

Mr. Roversi: I may have misspoken a little bit. It is not necessarily only a first-time homebuyer. You just cannot own any other real estate at the time. You could have had a home in the past.

Councilmember Kualii: Right.

Mr. Roversi: You are only eligible if you do not own other real estate and it will essentially be your primary residence. You cannot be buying a second home in the homebuyer program. That would essentially be what we would be looking for at Lima Ola. Like I said, the program there is not fully established with all of the parameters set up. It would be homes for sale just as primary residences to individuals who do not already own real estate on Kaua'i or anywhere else for that matter.

Councilmember Kualii: Thank you. With regards to the CDBG funding and how you said it averages six hundred fifty thousand dollars (\$650,000) a year...obviously with this one (1) purchase of six hundred thousand dollars (\$600,000), the prior practice of trying to do two (2) or three (3) a year is not even doable. What would it take to increase the level of CDBG funding?

Mr. Roversi: There is no method to increase the level of CDBG funding unless Congress were to change that. Our CDBG funding comes from a mathematical formula. To clarify, we get a new CDBG grant every year in the ballpark of approximately seven hundred fifty thousand dollars (\$750,000). In the past, one of the primary CDBG programs has been to do home loans. We still do that, but it had been a larger program in the past. The funds that are currently available to purchase this Molo Street home are income that has been received from prior CDBG loans. It is not funds from our current fiscal year grant. We are not using current grant funds. We are using mortgage income from the prior CDBG loan program. As I mentioned, a couple of loans that had been paid off and had been refinanced. We got windfall payments from past CDBG loans. We are required to expend any income that we receive from the CDBG program within a compressed timeframe. We are not allowed to hold those funds and let them accumulate. The Federal government requires us to spend down any of the income we receive.

Councilmember Kuali'i: Thank you very much.

Council Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: Thank you for all the excellent work that you are doing. You are doing a great job. I appreciate how much inventory you are bringing on to our island even though it seems like the demand is endless. I have a clarifying question on this homebuyers list. Since it started in 2008, what I am interpreting is a good element of this is that this is going to prioritize existing residents. It would not be easy to just get off the plane and buy one of these properties. You would need to be on this list, correct?

Mr. Roversi: Correct. You need to be on the list. You need to have taken a certified homebuyer education class. Even if you were to move here and become a resident, there are still some steps that you would have to go through that takes some time to qualify to be on the list. Yes.

Councilmember Cowden: Even if half of the list is still active, if you are twenty-five (25) years old as Councilmember DeCosta is bringing up, it does not hurt to get on this list right now even if you are not economically really positioned to buy a home, because you would get the homebuyers class, it helps to direct you on how to get ready, and even if it is five (5) years before your name comes up, probably by the time your time comes up, you might be ready by then. Young people now could sign up for that list. Nothing prohibits a twenty-two (22) year old or twenty-five (25) year old from getting on this list even if they are not economically qualified yet. Would that be correct?

Mr. Roversi: Correct, yes.

Councilmember Cowden: Okay. It is important. You do not even need your parents to try and buy that house. Get on that list.

Council Chair Kaneshiro: Councilmember Evslin.

Councilmember Evslin: Adam, just a follow-up from Councilmember Kuali'i's question. When you said that the revenue generated from the sale of these properties and you are often rolling these over back into a new purchase, but that you are limited on the timeframe for using those funds...it seems unfortunately like that must be a huge constraint on how you can use the funds. You mentioned that we can use CDBG funds on sewer, but if you have to roll these over quickly, it is hard for us to look at sewer expansion or even any infrastructure project. There are two (2) parts to this question. Could you talk a little bit about those constraints in the types of things you think you could do in the limited timeframe with the CDBG funds and is it possible for the County to float a bond, do infrastructure expansion, and pay that down with

CDBG revenue, our annual CDBG allocation, revenue from the sale of these homes or other revenue sources coming into the Housing Agency, or can you not do that?

Mr. Roversi: I would have to look in to whether...I am certain that the CDBG Action Plan, the current Plan at least, does not include bond payments. That is not to say that the Action Plan could not be amended in the future. We would have to check out the program requirements to see if that is even allowable. I do know anecdotally that back in the 1990s, the Housing Agency floated bonds to construct the Pa'anau Affordable Housing project in Kōloa. From my understanding, that was the first and only time that the Housing Agency utilized its own bond issuance to build housing. Federal HOME grant funds, which we receive every three (3) years, were utilized to pay off a large portion of that bond issuance. I know that at least back in the 1990s, that was an allowable use of the Federal grant funds. I would have to go verify that as the regulations change all the time. I cannot commit that that is still something that is an option. I would have to check with Kerri, our CDBG Coordinator...I think the timeframe to expend the CDBG income is approximately one and a half (1 ½) years. Please do not hold me to that. I will have to check with her. We have had an abnormally high level of income because of loan payoffs recently. It is generally a couple of hundred thousand dollars a year in just loan payments as opposed to balloon payoffs. A couple of examples aside from these home purchases that we have utilized CDBG income for...earlier this year, the Council approved the connection of Kaua'i Economic Opportunity (KEO) to the sewer system. We utilized income from the CDBG program to fund the conversion of the KEO septic...they have multiple septic systems and leachate fields...all of those very old and very problematic septic tanks and leachate fields to the neighboring municipal wastewater system. I think that was approximately eight hundred thousand dollars (\$800,000) for all of the design, engineering, and installation. That is still ongoing. That is the type of project other than the homebuyer program that we have utilized the CDBG income for.

Council Chair Kaneshiro: Okay, are there any further questions from the Members on this item? Councilmember Kuali'i.

Councilmember Kuali'i: Adam, just one quick thing, since you mentioned that the ordinance required that they remain on the list forever...I just want to ask that maybe as we are looking to our 2021 updates to the Ordinance, that maybe we look at that as well.

Mr. Roversi: Will do. That is part of my checklist, thank you.

Councilmember Kuali'i: Thank you.

Council Chair Kaneshiro: Does anyone else have any questions? Is there any final discussion from the Members? Councilmember Evslin.

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

Councilmember Evslin: First, I want to thank the Housing Agency. You are doing heroic work with utilizing lots of different, complicated funding sources, all with their own unique and often less than ideal requirements, which constrain you in so many ways. I think you are doing a fantastic job. I will say that I think over the last several years we had a lot of these come through. You always find a lot of support at Council for this homebuyer program in purchasing these single-family homes. I think the program clearly gets less attractive as the market price of housing continues to increase. I recognize in all your answers today that we are heavily constrained in trying to use those funds for infrastructure or new construction. As the market price of housing continues to increase, I do hope that we can look at coming up with creative ways to use these funds to create new housing. Largely, I think as we have all recognized, our housing crisis is built off of scarcity in the market. Possibly when we can get a purchase of a single-family home for three hundred fifty thousand dollars (\$350,000) or four hundred fifty thousand dollar (\$450,000) it made a lot of sense to do it. Now, as we are purchasing that for higher prices and taking it out of the market in some capacity, it would make a lot more sense if we can instead be building new houses. All that said, I clearly support this today and I will continue to support these as they come through in the future. Hopefully we can continue to explore creative ways to use CDBG funds to invest in infrastructure, including potentially floating a bond one day and paying that down with the use of Federal funds.

Council Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: Adam, I just wanted to thank you. *Mahalo nui loa* to you and your entire team. Just for today, all these questions and you have answered most of them...I am glad Council Chair that we were able to spend a little more time on this with our short Council agenda. I know we still have all of our Committee work to do. I think there was a lot of good information shared. We can see how daunting the challenge is. We knew that already. At least we can see that there are different attempts or programs that are in-place...if we can just find a way that we can expand them or bring more resources to them, that they are working and there is hope there. I appreciate all the information and all the work that you are doing. Thank you.

Council Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I am just going to echo the thank you. I think it was well-said. I appreciate what is being done in this incredibly daunting task. Usually, Adam, you are hearing about the houseless the most from me. This middle group, our working population it is essential to keep them stable and strong. Thank you for all that you are doing.

Council Chair Kaneshiro: Councilmember Carvalho.

Councilmember Carvalho: I echo all my fellow Councilmembers, to you Adam and the team at the Housing Agency. I am very familiar with the CDBG program. I really like the idea about being creative and thinking outside the box in how we can utilize the funds in additional ways. I think that is very important, especially now. Hearing your responses to the public, I think that is a great thing. We are trying to use every single penny in every way we can for housing. Continue to go on that path and I appreciate that again. If there is any way that we can add on to any suggestions to utilize these funds, which are very critical. At the same time, I believe if we can utilize the funds in different ways, it could really help our people. *Mahalo* for that.

Council Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: Good job to you Adam and your team. Thank you.

Council Chair Kaneshiro: Does anyone else have any comments?

(No written testimony was received and no registered speakers requested to testify regarding this agenda item.)

The motion to approve C 2021-206 was then put, and unanimously carried.

Council Chair Kaneshiro: The motion is carried. Next item. That concludes the business on our agenda. Not seeing or hearing any objections, this Council Meeting is now adjourned.

ADJOURNMENT.

There being no further business, the Council Meeting adjourned at 9:38 a.m.

Respectfully submitted,



JADE K. FOUNTAIN-TANIGAWA
County Clerk

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