

HB 2006

HD 1

**RELATING TO
AFFORDABLE
HOUSING**

A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the Front street
2 apartments on the island of Maui provide affordable housing to
3 more than two hundred fifty low-income residents. The Front
4 street apartments were developed in 2001 as an affordable rental
5 housing project with one hundred forty-two units, using state
6 financing and state tax credits, and were expected to remain
7 affordable to low-income tenants for fifty years. However, the
8 owners of the Front street apartments recently exercised an
9 option to remove the property from affordability requirements
10 that were tied to the development of the property, and this
11 change will allow them to begin renting available apartments at
12 market rates and to raise rents for existing tenants within a
13 few years.

14 The legislature further finds that many tenants of the
15 Front street apartments were not previously aware of this threat
16 to their housing and are worried that the removal of
17 affordability requirements could leave them homeless. There is



1 a severe shortage of affordable housing on the island of Maui,
2 especially in west Maui, which will be exacerbated by the
3 conversion of the Front street apartments to market-rate
4 housing.

5 The legislature also finds that the tenants, surrounding
6 community, and the island of Maui would benefit from the active
7 intervention of the State in this situation to ensure that there
8 is no negative impact on current and future tenants of the Front
9 street apartments. Act 288, Session Laws of Hawaii 2006,
10 regarding state intervention to preserve affordable rents at the
11 Kukui gardens affordable rental housing project on the island of
12 Oahu, provides an important precedent for this Act.

13 Accordingly, the purpose of this Act is to preserve the
14 Front street apartments as an affordable rental housing project.

15 SECTION 2. The legislature declares that it is in the
16 public interest and is required for public use to acquire the
17 Front street apartments as an affordable rental housing project
18 by exercise of the power of eminent domain if an agreement to
19 either extend the affordable rents or acquire the property is
20 not reached within a reasonable time. The legislature further
21 declares that it is necessary to provide for the public



1 financing of the acquisition of the Front street apartments by
2 condemnation through the expenditures of general funds, revenue
3 bonds, rental housing revolving funds, federal and state low-
4 income housing tax credits, or any other public and private
5 funds at the disposal of the State.

6 SECTION 3. The Hawaii housing finance and development
7 corporation, or any appropriate entity of the State as
8 determined by the governor, shall immediately initiate
9 negotiations with 3900 Corporation, leasehold fee owners of the
10 applicable real property, and Front Street Affordable Housing
11 Partners Limited Partnership, owners of the improvements
12 constructed upon the applicable real property, or their
13 successors in interest to either:

14 (1) Make available, without competitive award, public
15 financing resources to extend affordable rents at the
16 Front street apartments through at least 2027 for
17 persons who were tenants of the Front street
18 apartments as of January 1, 2018; provided that the
19 tenant's household income does not exceed eighty per
20 cent of the median family income for the area as



1 determined by the United States Department of Housing
2 and Urban Development; or

3 (2) Acquire the property known as the Front street
4 apartments, tax map key (2) 4-5-003-013, and may
5 partner with private for-profit or nonprofit
6 developers for acquisition of the property and
7 improvements thereupon; provided that:

8 (A) Seventy rental units shall be retained at
9 affordable rents to households whose incomes do
10 not exceed fifty per cent of the median family
11 income for the area as determined by the United
12 States Department of Housing and Urban
13 Development; and

14 (B) Seventy-one rental units shall be retained at
15 affordable rents to households whose incomes do
16 not exceed sixty per cent of the median family
17 income for the area as determined by the United
18 States Department of Housing and Urban
19 Development.

20 SECTION 4. The Hawaii housing finance and development
21 corporation, or the appropriate entity of the State as



1 determined by the governor, shall submit a report to the
 2 legislature no later than twenty days prior to the convening of
 3 the regular session of 2019 regarding its efforts to acquire the
 4 Front street apartments and its recommendations for financing
 5 the purchase of the property.

6 SECTION 5. If an agreement to either extend the affordable
 7 rents to at least 2027 or acquire the property is not reached
 8 within a reasonable time as determined by the Hawaii housing
 9 finance and development corporation, or any other appropriate
 10 entity of the State as determined by the governor, the
 11 appropriate state agency shall exercise its power of eminent
 12 domain to acquire the property and improvements thereon. For
 13 the purposes of this Act, and notwithstanding any provision of
 14 section 201H-13, Hawaii Revised Statutes, to the contrary,
 15 condemnation of the Front street apartments property and
 16 improvements thereupon shall not be subject to legislative
 17 disapproval.

18 SECTION 6. There is appropriated out of the general
 19 revenues of the State of Hawaii the sum of \$ or so much
 20 thereof as may be necessary for fiscal year 2018-2019 for the
 21 purposes of negotiating with the owners of the real property and



1 improvements thereupon known as the Front street apartments to
2 either extend the period of affordable rents to at least 2027,
3 acquire the real property and improvements known as the Front
4 street apartments, or to commence the condemnation process;
5 provided that no funds authorized pursuant to this section shall
6 be made available unless the county of Maui appropriates

7 \$ in matching county funds for the purposes of this Act.

8 The sum appropriated shall be expended by the Hawaii
9 housing finance and development corporation for the purposes of
10 this Act.

11 SECTION 7. This Act does not affect rights and duties that
12 matured, penalties that were incurred, and proceedings that were
13 begun before its effective date.

14 SECTION 8. This Act shall take effect on January 1, 2050.



Report Title:

Hawaii Housing Finance and Development Corporation; Affordable Housing; Maui; Front Street Apartments; Appropriation

Description:

Directs the Hawaii Housing Finance and Development Corporation, or the appropriate state entity, to initiate negotiations to keep the units of the Front Street Apartments on the island of Maui affordable or to acquire the Front Street Apartments property unless certain conditions are met. Appropriates funds. (HB2006 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



HB 2006

HD 1

TESTIMONY

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

February 13, 2018 at 9:45 a.m.
State Capitol, Room 309

In consideration of
H.B. 2006, H.D. 1
RELATING TO AFFORDABLE HOUSING.

HHFDC *supports the intent* of H.B. 2006, H.D. 1 provided its passage does not replace or adversely impact priorities indicated in our Executive Supplemental Budget. H.B. 2006, H.D. 1 directs the HHFDC to initiate negotiations to preserve Front Street Apartments in Lahaina, Maui, as affordable rental housing.

Thank you for the opportunity to testify.

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura



COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 11, 2018

TO: Honorable Aaron Ling Johanson, Chair
House Committee on Labor and Public Employment

FROM: Stacy Helm Crivello
Councilmember 

DATE: Tuesday, February 13, 2018

SUBJECT: **SUPPORT OF HB 2006 H.D. 1, RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify in support this important measure. The purpose of this measure is to direct the Hawaii Housing Finance and Development Corporation, or the appropriate state entity, to initiate negotiations to keep the units of the Front Street Apartments on the island of Maui affordable or to acquire the Front Street Apartments property unless certain conditions are met. Appropriates funds.

I support this measure for the following reasons:

1. There is a critical shortage of affordable rentals and properties for sale in Maui County. The Front Street Apartments consisting of 142 units housing 250 residents was developed under the Low Income Housing Tax Credit Program for households earning less than 60% of the area median income.
2. The Front Street Apartments were expected to remain affordable to low income tenants for a period of 50 years. After fulfilling their 15 year minimum requirement to keep the property affordable, the owners exercised their option to remove the property from affordability requirements which after a 3 year grace period allows them to charge market rate rents making it unaffordable for their current tenants.
3. Act 288, Session Laws of Hawaii 2006 regarding state intervention to preserve affordable rents at Kukui Gardens affordable rental housing project set an important precedence.

For the foregoing reasons, I support this measure.

HB-2006-HD-1

Submitted on: 2/9/2018 10:10:07 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Maui County Council	Support	No

Comments:

I support this bill to preserve the Front Street Apartments as an affordable rental housing project. There is already a shortage of affordable housing on Maui, especially in West Maui, which will be exacerbated by the conversion of these apartments to market-rate housing.

HB-2006-HD-1

Submitted on: 2/12/2018 8:14:59 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

Testimony of Joseph Pluta,
Vice President, West Maui Taxpayers Association
Testifying in Support of HB 2006, HD1
Before State House Committee On Labor and Public Employment
Feb. 13, 2018

I'm Joseph Pluta, vice president the West Maui Taxpayers Association, representing more than 2,000 members, most of whom are property owners. In December of 2018, the Association supported the Maui County Council's Resolution, asking the Hawaii Legislature and Gov. David Ige's administration to find a way to keep affordable housing for tenants at the Front Street Apartments. The resolution passed unanimously. In January, Maui Mayor Alan Arakawa announced his support for helping to keep Front Street Apartments as affordable housing as a low-income housing. The ball is now in your court to do something.

Our organization believes that if you are going to reduce the number of homeless, the first priority is to keep what low-income housing you have in service. It makes no sense to plan for future low-income housing, if you can't protect what you have in your low-income housing inventory.

We believe the state is in a crisis of houselessness and homelessness with little or no affordable housing in West Maui, a visitor destination second only to Waikiki, and that extraordinary measures may be necessary.

We want to do the good and right thing and prevent worsening the homeless situation in West Maui. It would be absolutely terrible to do nothing and allow low-income residents to be forced out of Front Street Apartments. Our organization of taxpayers also would like to note that the agreement with Maui County and the state called for the low-income project to be in service for 50 years rather than 15 years and that while an IRS rule in 2012 allows the conversion to market-priced rentals after the 15th year, the taxpayers have invested considerably in its development and would lose up to tens of millions in public investment.

Please note that a 2012 study, done by the U.S. Department of Housing and Urban Development's Office of Policy Development and Research, recommended that Housing Finance Agencies should place their highest priority on keeping low-income developments in high rent areas because "preserving these properties as affordable housing will almost always be less costly than investing in creating new affordable developments." The study said this investment may be the most cost-effective way to encourage or maintain some amount of economic integration and diversity. While not named specifically, Front Street Apartments fits into what HUD described as a high priority area for protection. (*"Affordable Housing at the 15-year Mark," U.S. Department of Housing and Urban Development's Office of Policy Development and Research. (800) 245-2691 for help accessing information you need. Submitted by ABT Associates Inc., Bethesda, MD August, 2012.*)

In launching the Front Street Apartments project, the developer SunAmerica asked for a number of concessions, including a waiver on park contributions, parking, and underground utilities, the rezoning of five parcels

from residential to apartment, and a property tax exemption that has thus far amounted to more than \$2 million.

Additionally, the federal and state government agreed to provide up to \$1.2 million and \$360,000 respectively in annual tax credits, totaling \$15.6 million in the first 10 years.

The West Maui Taxpayers Association believes it makes sense to keep and maintain the Front Street Apartment property as a low-income apartment rental and that every effort should be made to maintain this as a housing resource.

Joseph Pluta,
Vice President,
Telephone: 661-7990, cell 283-4533
pluta@maui.net

Testimony of Gary T. Kubota,
Volunteer Liaison, Front Street Apartment Tenants Group
In support of House Bill 2006, House Draft 1
Before the State House Committee On Labor And Public Employment
Feb. 12, 2018

Good morning, Committee chair Aaron Ling Johanson and vice chair Daniel Holt. I'm Gary T. Kubota, the volunteer liaison/researcher for the Front Street Apartment Tenants Group. As a journalist, I've received national journalism awards related to consumerism and housing, including recognition from the National Association of Home Builders and the National Press Club. I'd like to provide a broad, historical view of the financial situation facing Hawaii taxpayers in looking at the development of Front Street Affordable Housing Partners.

Besides the increase in homelessness and disruption in workforce contributions of hundreds living at Front Street Apartments, Hawaii taxpayers stand to lose tens of millions in public investment already spent in developing and retaining the 142-unit Front Street Apartments.

The amount totals more than \$40 million in public investment in the past 16 years — up to \$15.6 million in state and federal tax credits, an estimated \$5 million in Maui County benefits including more than \$2 million in property tax exemptions, and more than \$20 million paid by tenants in personal rent and government rental subsidies.

What exactly has been paid by the building owner as investment during that time? According to the financial plan filed by the Partners with the state, the building owners were taking out a \$17-million loan to develop the property.

So, what were talking about is a private developer who initially spent less than \$18 million to develop the property versus a public investment of \$40 million.

The building owner Front Street Affordable Housing Partners would have state legislators think that a contract is a contract, and the terms are immutable, and that the only contract one has to look at is the contract between the Partners and the Hawaii Housing Finance and Development Corporation — an agreement signed in 2002.

But history shows that in 1999, the initial developer SunAmerica Affordable Housing Partners approached Maui County and asked for a number benefits amounting to some \$5 million, in return for developing the low-income housing project Front Street Apartments. The benefits included rezoning parcels and waivers on a requirement to contribute 1.5 acres for a public park and underground utilities. The Maui County Council passed a resolution in 1999 providing a fast-track for the development, with the lease on the land for 66 years. In view of the Partners shortening the time span to August, 1999, Maui Mayor Alan Arakawa has launched an inquiry looking into the transactions. Please note so far as I've seen, Maui County was not involved in signing the contract between the state and the Partners. The Tenants Group feels the county should roll back benefits to the Partners and impose penalties upon the Partners, where appropriate.

It's also important to note that less than 8 years after the agreement with Maui County, Sun America was part of a coalition in 2007 lobbying the IRS to amend the rules to pave the way to improve profits for low-income housing investors and to produce 2012 final IRS rules about "Qualified Contracts" that are now being cited by the Partners in its quest to increase its financial return. In my opinion, the IRS amendments go beyond the scope of what was called

for by the enabling legislation in the Omnibus Reconciliation Act of 1989. Please note the IRS made this rule change retroactive. So much for the immutability of contracts.

It's like playing a poker game and being told that deuces are wild after the hand is dealt and oh, your opponent has the deuces. Oh yeah, and by the way, those poker hands you had eight years ago, well, the deuces were wild on those as well and the investors had the deuces, so you owe them more money.

The IRS process is flawed and has become a unilateral escape clause for low-income housing investors to cash in.

There are a growing number of low-income housing advocates nationally who recognize there is a problem. Just last week Thursday, I received an email from Ellen Lurie Hoffman, the Federal Policy Director of the National Housing Trust who said she is working with a coalition of housing industry groups to eliminate the IRS Qualified Contract "loophole."

"Until we are able to change the statute, we were pleased that the National Council of State Housing Agencies recently adopted a 'Recommended Practice' for the Low-Income Housing Tax Credit (Housing Credit) that urges state housing agencies to require all Housing Credit applicants to waive their right to submit a qualified contract as a condition of receiving an allocation," Hoffman said.

Of course, the situation facing Front Street Apartment tenants is more immediate. The Tenants Group cannot wait for federal legislation to make a correction or a shift in national administrative policies. The tenants need help now. They need help to make things right. Thank you.

(END)

HB-2006-HD-1

Submitted on: 2/10/2018 6:35:05 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Whispering Wind	Patients Without Time	Support	No

Comments:

I SUPPORT HB2006.

Hawaii needs more affordable housing to help economically depressed, disabled, and elderly citizens acquire the housing they need. There is a critical housing crisis among severely ill medical cannabis patients, who face discrimination against their tenancy.

HB-2006-HD-1

Submitted on: 2/10/2018 8:41:34 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lauren Ampolos		Support	No

Comments:

HB-2006-HD-1

Submitted on: 2/10/2018 8:49:19 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Blair		Support	No

Comments:

HB-2006-HD-1

Submitted on: 2/10/2018 4:57:47 PM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Barry		Support	No

Comments:

HB-2006-HD-1

Submitted on: 2/10/2018 5:36:45 PM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Theodora Akau Gaspar		Support	No

Comments:

HB-2006-HD-1

Submitted on: 2/10/2018 10:44:31 PM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Briana Hurley		Support	No

Comments:

HB-2006-HD-1

Submitted on: 2/11/2018 8:31:25 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
chi guyer	chi guyer	Support	No

Comments:

Dear State House Committee on Labor and Public Employment:

I am writing in support of HB2006, HD1. as a senior woman on a fixed income, living in affordable housing at front street apartment (FSA) complex in lahaina, along with 250 other tenants with school age children and generally working adults.

Sincerely, Chi Piliialoha Guyer, 808 280 7658, chiguyer@gmail.com

HB-2006-HD-1

Submitted on: 2/11/2018 10:45:45 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathryn Snyder	Front St Apts	Support	No

Comments:

I am a resident of Front Street Apartments. I am 82 years old and have lived here for 22 years. I am a widow and have lived on the same fixed income for 22 years. I have mild cognitive impairment. I am stressed at the thought of being homeless. Please support this bill. Thank you.

Sincerely,

Kathryn Snyder

1122 Kenui Circle

Lahaina, HI 96761

Testimony of Barbara Henny,
Co-chair of the Front Street Apartment Tenants Group
Before the State House Committee On Labor And Public Employment
Feb. 13, 2018

Good morning, chair Aaron Ling Johanson and vice chair Daniel Holt. I am Barbara Henny, co-chair of the Front Street Apartment Tenants Group. The Front Street Apartment Tenants Group supports House Bill 2006, House Draft 1.

The Tenants Group estimates more than \$40 million in public investment has been made to develop and maintain the 142-unit apartments in the past 16 years. We feel Front Street Apartments is an important housing resource for the state and Lahaina community and too much has been paid to let it go. More than 30 churches and nonprofit groups in Maui County and Oahu have joined to support us, including ministers from Nuuanu Congregational, First Unitarian Church of Honolulu, St. Elizabeth's Episcopal Church, and Emanu-El Synagogue.

As important, our Front Street Tenants Group has received letters of support from the Filipino community of Ota Camp in Waipahu and the farm community of Waiahole-Waikane Community Association in Windward Oahu. Both Ota Camp and Waiahole serve as reminders of the good that can come out the state intervention to prevent mass evictions.

The Maui County Council unanimously passed a resolution on Dec. 5, 2018 to express their support for keeping the affordable housing for the tenants at Front Street Apartments, and we are grateful for the support of Melodie Abuja, chair of the Oahu County Committee on Legislative Matters for the Democratic Party of Hawaii.

Mayor Alan Arakawa has announced as a legislative priority the keeping of Front Street Apartments as low-income and has launched an inquiry about the benefits given by Maui County to the investors of the building project, given their shortening of their operation from 50 years to 15 years.

We mention these tenants supporters because it is difficult sometimes for them to submit multiple testimonies to each committee during the course of a legislative session.

Please know that without state intervention, such as through House Bill 2006, HD1 many of the 250 people living at Front Street Apartments will be homeless and homeless in the Lahaina, an area second only to Waikiki as an urban visitor destination in the state. The nonprofit homeless resource center says it is at capacity and the wait for affordable housing is two years.

We, the people at Front Street Apartments, are diverse in ethnicities - Filipino, Hawaiian, Chinese, Vietnamese, Portuguese, Korean, Chamorro, Japanese,

African-American, and Caucasian. About 70 to 80 percent of the adults living at Front Street Apartments work, many at more than one job. They are the maids, waitresses, dishwashers, child-care providers, substitute teachers, condominium cleaners, cashiers, store clerks, taxi cab drivers, part-time construction laborers and landscapers. The remaining 20 percent are retirees living on a fixed income and the disabled — a Gulf War veteran fighting cancer, a woman on dialysis, woman raising her Down's Syndrome son, many single parents who are survivors of spousal abuse, an elderly woman raising her Filipino great-granddaughter. The tenants are a vulnerable population, earning up to 50 to 60 percent of the median income of a Hawaii resident.

In other words, they all virtually pay rent and some rely on government subsidies to make up a portion of the rental cost. Based on the schedule of rental prices in 2001, the building owner received roughly \$1.3 million a year. In the past 16 years, that means the amount paid to the building owner is more than \$20 million in personal rent and government subsidies. We know the financial plan to develop the 142-unit complex required close to \$17-million loan.

We also know that the state and federal government gave up to \$15.6 million in tax credits, and Maui County provided close to \$5 million in benefits, including more than \$2 million in total property tax exemptions for the past 16 years.

Initially, we were told through news sources that building owner Front Street Affordable Housing Partners' spokesman Adam Dornbush said raising the rent to market levels was necessary because of the increase in ground lease rents from the landowner 3900 Corporation. But we found through our research that the ground lease prices were set in the early 2000s and that the Partners agreed to the schedule of lease rent increases in the original agreement.

The Partners broke off negotiations with the state after the 2017 legislative session and broke off negotiations earlier this year, according to state officials.

Many residents are worried sick what will happen to them if their rents are increased by more than 100 percent, perhaps even 200 percent, by the deadline of August, 2019.

We cannot afford to wait any longer and hope the passage of House Bill 2006, HD1 will help to bring resolution to our plight. Please stand with us.

Barbara J. Henny 1802 Kenai Place Lahaina, HI 96761 Tel: 808.667.9215

(END)

HB-2006-HD-1

Submitted on: 2/12/2018 5:01:08 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Tamara Paltin		Support	No

Comments:

Aloha Senators

I live in West Maui and we are currently having a housing crisis we need much more affordable housing than what we have and we can't afford to loose any that we do have. We need to save front st apartments and make housing developers honor their word. This development got significant incentives to build this affordable housing and make it affordable for 50 Years now they want to back out of the deal at a critical moment in housing. Please do not let us loose any more add housing!

mahalo

Tamara Paltin

808-870-0052

TESTIMONY OF THE FRONT STREET AFFORDABLE HOUSING PARTNERS

HEARING DATE/TIME: Tuesday, February 13, 2018
9:45 AM
Conference Room 309

TO: Committee on Labor

RE: Testimony in Opposition to HB2006.

Dear Chair, Vice-Chair and Committee Members:

My name is William G. Meyer, III. I have been practicing law in Honolulu since 1979. I'm counsel for the Front Street Affordable Housing Partners ("FSAHP"), the leasehold owner and original developer of the property which is the subject of HB2006 (the "Subject Property"). FSAHP strongly opposes HB2006 for the reasons set forth hereinbelow.

Background. FSAHP developed the Subject Property pursuant to IRC § 42 as an affordable housing project consisting of one hundred forty-two units (the "Project"). The Project features 19 garden apartment style residential structures, a tot lot, a basketball court and open and covered parking spaces. The Project is located on an 8.538-acre site on the block formed by Front, Wainee and Kenui Streets in the highly desirable town of Lahaina on Maui Island.

The Project was financed in part by federal and state tax credits with the vast majority of said tax credits coming from the federal government. The Subject Property involves a leasehold land interest with a long term ground lease (which expires in 2066) with 3900 Corp. as lessor. Minimum ground rent is contractually set through the remainder of the lease with incremental rent increases over time. A percentage rent is also payable in addition to the minimum ground rent. In consideration of receiving said tax credits, the Project and the Subject Property was made subject to significant use restrictions which prevented FSAHP from enjoying the highest and best value use of the Subject Property. In this regard, a Declaration of Land Use Restrictive Covenants (the "Regulatory Agreement") was imposed on the Subject Property (enforceable by the State of Hawaii, Hawaii Housing Finance and Development Corporation ("HHFDC")) which mandated that the Project be operated as an "affordable" apartment rental property reserved for families earning 50% (70 units) and 60% (71 units) or less of the area median income (AMI) as mandated in the US Department of Housing and Urban Development (HUD) for the area (Maui County) (the "Program").

Pursuant to the Program, and in accordance with IRC § 42, because FSAHP did not waive its right to apply for a Qualified Contract¹ in the Regulatory Agreement (or in any other Agreement) FSAHP was eligible to apply for a Qualified Contract after the initial 15 year compliance period. As per IRC § 42, if the allocating agency (HHFDC) cannot find a buyer during a one year period after a request for a Qualified Contract, then the restrictions for the Extended Use Period do not apply. In this case, since the Project is subject to a **15 year** compliance period, plus a **36 year** extended use period, as set forth in the Regulatory Agreement recorded in the Bureau on August 19, 2002 as Document No. 2002-144948 FSAHP was eligible and applied for a Qualified Contract on or about August 5, 2015. HHFDC accepted the application via communication on September 22,

¹ A "Qualified Contract" is a *bona fide* contract to acquire (within a reasonable period of time after the contract is entered into) the non low-income portion of a building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (as specified in the agreement between the State and the owner) of the sum of: (1) the outstanding indebtedness secured by, or with respect to the building, (2) the adjusted investor equity in the building, plus (3) other capital contributions not reflected in these Amounts; reduced by cash distributions from (or available for distribution) the project. IRC Section 42(h)(6)(F).

2015.² As a result, HHFDC had one year (until August 6, 2016) to enter into an arrangement whereby FSAHP's interest in the Project could be acquired at a price determined by the formula set forth in IRC § 42(h)(6)(F). That calculation yielded a Qualified Contract price of \$15,395,813. When HHFDC did not find a bona fide offer at that price pursuant to the Program, the Regulatory Agreement, and IRC § 42 within the one year window period, FSAHP was, by federal law and Program rules, automatically freed from the restrictive use provisions of the Regulatory Agreement and was entitled to deal with the Property as it sees fit, subject only to a rent holding period of three years for existing tenants. There is approximately 1½ years left on the hold period. When the hold period expires, FSAHP is legally entitled to raise rents to market as FSAHP sees fit. Since August 2016, and as of January 29, 2018, 14 units have turned over and have been leased to non-restricted tenants.

No Tenants Will be Subject to Immediate Rent Increases. As noted above FSAHP may not increase rents above the Program restricted rents (annual increases in accordance with the tax regulations are permitted) for existing tenants for approximately another 1½ years. Thus there is no imminent threat to any tenants in the Project.

The Cost to the State/County of Maui to Acquire FSAHP's Interest is Likely to be Between Thirty-Five and Fifty Million Dollars. Because HHFDC did not exercise its rights under the Qualified Contract during the applicable window period, the Qualified Contract price of \$15,395,813 is no longer applicable and any acquisition of FSAHP's interest must be at the prevailing market value. Depending on the applicable Cap Rate utilized the value of said interest will track the following subject to market price fluctuations:

Cap Rate	Value	Value/Unit
4.0%	\$52,679,351	\$370,981
5.0%	\$42,143,480	\$296,785
6.0%	\$35,119,567	\$247,321

The above numbers do not include the value of the fee simple interest in the Subject Property. FSAHP does not want to divest its interest in the Subject Property and therefore will vigorously oppose any eminent domain proceeding and in any such proceeding will seek to obtain the full market value of FSAHP's interest.

Passage of HB2006 is likely to Result in Costly and Protracted Litigation. When FSAHP entered into the Program it did so with the contractual expectation that if it fully complied with the Program and HHFDC did not exercise its rights under the Qualified Contract that the restrictions imposed on the Subject Property pursuant to the Program would expire and FSAHP could monetize its interest according to prevailing market conditions. FSAHP believes that HB2006 is an inappropriate and constitutionally infirm use of the power of eminent domain which violates FSAHP's expectancy interest and the underlying agreement between the parties. It is simply unreasonable for the state to provide public housing for a select group of residents in a highly desirable location is. Even assuming that an appellate court ultimately determines that the subject use of the eminent domain power is appropriate, the State/County of Maui will be required to pay the market price for FSAHP's interest in the Subject Property which, as noted above, is most likely between 35 and 50 million dollars or more, not including the value of the fee simple land. Such amount would be additional to legal fees incurred through protracted litigation.

HB2006 will have a Significant Chilling Effect upon Developers' Willingness to Enter Into Creative Solutions to Address Hawaii's Affordable Housing Needs. The subject legislation will send a message to potential low cost housing developers that the State of Hawaii cannot be trusted to stand behind contractual arrangements that it has made with affordable housing developers and that the State/County of Maui may simply invoke the power of eminent domain to, in effect, extend the restricted use of the property beyond the bargained for window period. In this regard, the subject legislation, if passed, is likely to exasperate the statewide

² 15 years is the period for which the property owner gets the tax credits. If, after 15 years, the owner doesn't get back its investment (adjusted for inflation), then the owner is not subject to the extended use restrictions.

affordable housing crunch even if it does act to keep the Subject Property in a low rental regime but at a price that is likely to be unaffordable to the State/County of Maui.

There are likely More Affordable Options Available to Address Affordable Housing Needs in the Vicinity of the Subject Property. Attached hereto collectively as Exhibit “A” find three maps which designate parcels of land (noted in red) that are currently owned by HHFDC which could be used more efficiently and economically to build affordable housing units at economies of scale which would be most beneficial to the State of Hawaii and the County of Maui.

Conclusion. For all of the above reasons, FSAHP strongly opposes the subject legislation and respectfully submits that the costs to the State and/or County of Maui to acquire FSAHP’s interest in the Subject Property will result in a squandering of public resources with a minimal positive impact upon the availability of affordable housing in West Maui. In addition, the chilling effect that this legislation will have upon future affordable housing projects appears to make the proposed legislation counterproductive to the very goals it seeks to accomplish.

Respectfully Submitted,

/S/ William G. Meyer, III

On behalf of Front Street Affordable Housing Partners

William G. Meyer, III

HB-2006-HD-1

Submitted on: 2/12/2018 9:17:50 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeanne Stabile	Front Street affordable apartments	Support	No

Comments:

Aloha,

My name is Jeanne Stabile, I live at Front street apartments, Lahaina Maui. I am writing to ask you please keep these apartments affordable. I am a single 66 yr old disabled woman. Moving would cost several thousand dollars and I have not been able to find anything that I could possibly afford on \$1,100 a month. My granddaughter also lives here as a single mother of two young boys. When I first moved here 15 years ago I was led to believe that this was a 50 year lease. I moved in these wonderful apartments knowing I was secure for the rest of my natural life. Please honor that lease that was broken December 2016. I am in support of HB2006-HB1.

Mahalo Nui Loa,

Jeanne Stabile

HB-2006-HD-1

Submitted on: 2/12/2018 9:20:31 AM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
E. Wayne Johnson		Support	No

Comments:

I am a 67 year old disabled veteran, and was so grateful to move to Front Street Apartments. As a Hawaii resident, I was hoping to live out my life here, and grateful to be able to more easily get to many places I need to get to. The thought of moving, or being homeless again is daunting. It is impossible to forget the scariness, and humiliation of not having a home. Even the thought of packing up at my age, losing my newfound security, leaving familiar surroundings and friends, and trying to find a safe home is unimaginable for me. I am not even sure I have another move left in me. There are working families, children, frail people, very frail people, disabled people, and elderly people at our Front Street apartments, and I literally can't imagine what will happen to some of these people if our homes are lost.

If so many of us have to leave, there might not be enough available places to live in our small town, or West Maui, especially for families. The lack of affordable housing in Hawaii is getting worse, and it is sad that so many are having to leave their families, homes, and jobs and move to the mainland just to be able to have shelter.

Mornings, I see the children heading off to school, and feel sad for them. Some of their demeanours seem to have changed since the news broke of our maybe losing our homes, and I can't help wonder what effect it might be having on them personally, and the stress their families must be under because of this. We are all so grateful to have our little community, but now people are scared. All this is why I am supporting SB 2293.

Please, for the sake of the children, working families, elderly, disabled, health challenged people, and for people getting back on their feet after unfortunate life events, help us.

Thank you so much for your concern, compassion, and help in saving our homes and community. We can't afford teams of high powered real estate attorneys, so you are our hope. Again, mahalo for your help, and our prayers are with you.

Sincerely,

Ernie Johnson

To whom it may concern,

I would like to send my deepest concerns, to Maui County regarding Front Street Appts. This neighborhood Houses many friends and locals whom give a lot to this town.

While investors see Lahaina as a money making endeavor, Ohana see it as a long time home. It is inevitable that change will happen.

Clearly it's already happening across from Baby Beach. It is our responsibility to preserve what land we have left. Please take in to consideration, we need to have safe havens for our kapunas, and true locals/ community persons to keep our culture going.

Thank you for your consideration.

Celia Roberts (10 year resident)

Mahalo

Dear sir,

I am writing in regards to saving the affordable housing project of the FRONT STREET APARTMENTS. We here at the complex have been anxiously trying to save our homes for quite some time now. There have been two bills one house and one senate that have been permanently deferred HB1553 and SB1266. With SUPPORTIVE testimonies given to both from many residents. We have tried hard to keep together in this fight to save our homes. Unfortunately due to the bills being deferred and the long duration many people are loosing hope. Tenants have been verbally warned against soliciting any information on the property to save their home by threatening eviction. By request of the owner. The landlord was observed taking pictures of an elderly tenant while passing out flyers and verbally warned. We live in America and our right to assemble is a threat to our home. Due to the lengthy duration and threats to our homes. I have seen it upon myself to submit the past testimonies of the tenants who have all supported the saving of the FRONT STREET APARTMENTS. People are becoming discouraged and fearful of the situation and I urge you to help them.

Enclosed to this email are the testimonies in PDF format. Please use them at the next Tuesday meeting on 1-13-2018

I and the tenants of Front Street Apartments SINCERELY THANK YOU !!!
JOHN MASSA

I am writing in support of HB2006 HD1

I have lived at the Front Street apartments since January of 2014. My situation being a single senior/low-income women i feel threatened and frightened for my future housing her.

Sincerely,

Desiree Holmes

February 7, 2018
State Rep. Daniel Holt,
House Finance Committee
Hawaii State Legislature
Honolulu Hawaii

Aloha Rep. Holt:

I hope you and your legislative colleagues are supporting House Bill 2006 designed with the intention of stopping the eviction of more than 250 Front Street Apartment tenants in West Maui and of placing the apartment buildings in perpetuity to serve as affordable housing.

Without such a measure coming from the state Legislature, many of these people, who earn 50 to 60 percent of median income in Hawaii and live on the financial edge, will become homeless. The vast majority of them are employed at low-paying jobs, and an eviction would only disrupt their efforts to improve their financial situation.

Furthermore, there are disabled people residing in the complex, including a woman on dialysis and veteran battling cancer, whose wife is also helping to care for her mother at a nearby senior living facility.

With this letter, I am joining an ecumenical group of ministers on Oahu, including Nuuanu Congregational Church, Emanu-El Synagogue in Nuuanu, and the Unitarian Church of Honolulu to implore you and your colleagues to help us stop this growing trend of homelessness by supporting House Bill 2006.

We truly need your assistance in this matter.

Mahalo,
Ashleigh Loa
Housing Specialist
Family Promise of Hawaii
(808) 202-1211 or (808) 548-7478

Rep. Aaron Long Johanson:

I Marialejandra Pocaterra, live on Front Street Apartments since May 2011, my son was 2mos. When we move in.

Many of Front Street Apartments renters are hard working families with bottom incomes I myself, I am a single mom managing two jobs to have ends meet because my child's father refuses to help raised his kid. As a survivor of Domestic Violence between the Government's help and my income I have been able to support my child by myself for 7 years.

The households of this complex are either families with young children or senior adults who are not able to pay a high rent. Many of us live here for five, ten, fifteen years, in fact this affordability was promise to us for 50 years.

I appeal to the Common sense of all desicion makers to help us by respecting our seniority maintaining our current rent as It Is now, Affordable for all of us.

In my case this is the maximum I can afford. I understand business is business, but we are dealing with people's lives here.

For me and my son the sole thought of having to move out far from school and friends and a good quality of life and not having where to go sets the stress and fear that we may even have to become homeless if the current plan come to fruition. Malama Pono, let the young live and the elder to die with dignity.

I greatly thank you for the attention to this matter.

Sincerely

Marialejandra Pocaterra

#1622 kenui st.

Front Street Apartments

Lahaina HI 96761.

I am a 67 year old disabled veteran, and was so grateful to move to Front Street Apartments. As a Hawaii resident, I was hoping to live out my life here, and grateful to be able to more easily get to many places I need to get to. The thought of moving, or being homeless again is daunting. It is impossible to forget the scariness, and humiliation of not having a home. Even the thought of packing up at my age, losing my newfound security, leaving familiar surroundings and friends, and trying to find a safe home is unimaginable for me. I am not even sure I have another move left in me. There are working families, children, frail people, very frail people, disabled people, and elderly people at our Front Street apartments, and I literally can't imagine what will happen to some of these people if our homes are lost.

If so many of us have to leave, there might not be enough available places to live in our small town, or West Maui, especially for families. The lack of affordable housing in Hawaii is getting worse, and it is sad that so many are having to leave their families, homes, and jobs and move to the mainland just to be able to have shelter.

Mornings, I see the children heading off to school, and feel sad for them. Some of their demeanors seem to have changed since the news broke of our maybe losing our homes, and I can't help wonder what effect it might be having on them personally, and the stress their families must be under because of this. We are all so grateful to have our little community, but now people are scared. All this is why I am supporting SB 2293.

Please, for the sake of the children, working families, elderly, disabled, health challenged people, and for people getting back on their feet after unfortunate life events, help us.

Thank you so much for your concern, compassion, and help in saving our homes and community. We can't afford teams of high powered real estate attorneys, so you are our hope. Again, mahalo for your help, and our prayers are with you.

Sincerely,
Ernie Johnson

To whom it may concern,

I would like to send my deepest concerns, to Maui County regarding Front Street Appts. This neighborhood Houses many friends and locals whom give a lot to this town.

While investors see Lahaina as a money making endeavor, Ohana see it as a long time home. It is inevitable that change will happen.

Clearly it's already happening across from Baby Beach. It is our responsibility to preserve what land we have left. Please take in to consideration, we need to have safe havens for our kapunas, and true locals/ community persons to keep our culture going.

Thank you for your consideration.

Celia Roberts (10 year resident)

Mahalo

Aloha Chair:

I am writing to you to join with an old comrade of yesteryear, Gary Kubota, who remains in the front line of protecting housing opportunities for the people of Hawai'i. We go back many years in our mutual struggle to bring about equity for all of the people of Hawaii, Gary working especially in the field of sensible and fair housing policies and programs, fighting evictions in the 1970 in China town, and our common efforts in Hale Mohalu in Pearl City, Sand Island evictions, Kahe point eviction, Makua eviction, "Beach People" evictions, etc.

I am writing to you, especially knowing your mutual concern over protecting people less fortunate, especially in their housing conditions such as what we today face at the Wai`anae Boat Harbor (`Opa'e Ula) and all along our Wai`anae coastline and valleys.

Please support House Bill 2006 and show your solidarity with over 250 tenants who face eviction unless this measure is passed. The shenanigan being played by the developer who first promises to be in for the "long haul" of 50 years in providing affordable housing, is now trying to bug out under an excuse of a recent IRS change allowing it an early exit. Please don't let another scam be pulled against these tenants as well as against the Hawaii public who will face the additional cost for dealing with many of these tenants, should they be evicted, becoming homeless.

I believe there is much merit in the approach of "housing first." As a former executive director of Wai`anae's community mental health center, Hale Na`au Pono, it is plain to see that housing is really the first order of treatment for behavioral health as well as primary health care. It impacts upon all the negative factors which deteriorate an individual's conditions. In this case where tenants are now facing eviction at Front Street Apartments on Maui, why should we not apply the approach of "housing first" preemptively, before such people become homeless? Let's get in front of the problem before it becomes a problem. Stop their evictions by stepping in now, joining forces to hold the developer/owner group of that property responsible for the common care and concern of their tenants and our fellow Hawaii residents.

Mahalo a nui loa,

/s/ Poka Laenui

Poka Laenui

HB-2006-HD-1

Submitted on: 2/12/2018 12:42:35 PM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
George Vierra	Individual	Support	No

Comments:

Aloha Senators,

This housing is so important for our community to retain, it sets a horrible precedent to let developers loophole themselves out of promises made to the people as well as government with all the incentives they got while developing this housing. We need affordable housing in perpetuity and at the very least we need these developments to honor the commitments they have made to our community

Mahalo

George Vierra

2503604

SUPPORT OF HB 2006 / Individual

#	LAST NAME, FIRST NAME	Zip Code	NOTES
1.	Cushman, Sharon	96753	
2.	Ayasanonda, Karri	96761	
3.	Mader, Deborah	96753	
4.	Marzon, Deborah	96761	
5.	King, Meli	96753	
6.	Rosier, Susan	96778	
7.	Erway, Donald	96745	
8.	Ayasanonda, Vijak	96761	
9.	Stone, Ananda	96761	
10.	Halas, Amy	96732	
11.	Laborte, Jana-Nicole	96761	
12.	Teruya, Haunani	96761	
13.	Sambrano, Tamara	96761	
14.	Kukahiko, Twyla	96761	
15.	D'Angelo, Sally	94903	
16.	Snyder, Kathryn	96761	
17.	Mckenzie, Panelopi	96768	
18.	Salvato, Frances	96768	
19.	Burnette, George	96793	
20.	Anka, Maren	96768	
21.	Koizumi, Asami	96793	
22.	Nishiki, Kai	96761	
23.	Burke, Michaellyn	96761	
24.	Tuipulotu, Penny	96761	
25.	Delatori, Aulani	96761	
26.	Lulu, Cindy	96761	
27.	Asuncion, Jayson	96761	
28.	Salvato, Frances	96768	
29.	Greenlee, Tulsi	96708	
30.	Blando, Kea	96701	
31.	Haia, Adrienne	96761	
32.	Tevaga, Janice	96761	
33.	Comcowich, Karen	96861	
34.	Radway, Siobhan	96750	
35.	Flores, Jonathan	96761	
36.	Nuesca-Ganer, Trixy	96761	
37.	Medeiros, Shayda	96761	
38.	Digmon, Leilani	96761	
39.	Paltin, Tamara	96761	
40.	deAquino, Peter	96761	
41.	Kimhan, Courtney	N/A	

SUPPORT OF HB 2006 / Individual

42.	Badua, Ferris	96761	
43.	Wallett, Wyonette	96708	
44.	Miller, Mark	96761	
45.	Tuipulotu, Moanalani	96761	
46.	Beers, Alex	96793	
47.	Manriquez, Noelle	96761	
48.	Vasquez, Julie	96761	
49.	Alvarez, Audrey	96761	
50.	Maiorino, Pierpaolo	96761	
51.	Dapitan-Haake, Nani	96761	
52.	Makahalanaloa, Nora	96761	
53.	Gillcoat, Melanie	96761	
54.	Haake, Kekuulani	96761	
55.	Duldulao-Kahaialii, Enjolie	96761	
56.	Murphy, Maureen	98117	
57.	Juarez, Robin	96761	
58.	Statler, KaOhelo	92683	
59.	Keahi, Naheana	96761	
60.	Jaramillo, Leslie	96793	
61.	Dunn, Emmalia	96768	
62.	Reardon, Lucy	96761	
63.	Kiakona, Paele	96768	
64.	Keahi-Heath, Malihini	96761	
65.	Heath, Gregory	96761	
66.	Dunn, Kaohu	96790	
67.	Sterling, Donna	96713	
68.	Oliveira, Jessica	96767	
69.	Riley, Sara	96761	
70.	Ladrouz, Patricia	96761	
71.	Kaneshiro, Audrey	96761	
72.	Lindsey, Monica	96761	
73.	Ventura, Joey	96761	
74.	Buraco, Millena	96761	
75.	Ktagawa, Yvette	96732	
76.	Rosenthal, Season	96761	
77.	Silvq, Paula	96795	
78.	Criste, Mahealani	96761	
79.	Lota, Krystal	96761	
80.	Dean, Jeri	96761	
81.	Keahi, Kukui	96761	
82.	B, P	96732	
83.	Alcomindras, Mary	96761	

SUPPORT OF HB 2006 / Individual

84.	Ailay, Justin	96761	
85.	Butihi, Rochelle	96761	
86.	Frey, Jennifer	96761	
87.	Opunui, Kawailehua	96761	
88.	Bush, Carolyn	96753	
89.	Schlea, Aliya	96761	
90.	Nobriga, Malia	96761	
91.	Webb, Leianna	96761	
92.	Bartelme, Christopher	96790	
93.	Davis, Dawn	96767	
94.	Parra, Marcie	92231	
95.	Ingan, Courtney	96761	
96.	Chisom, Rachael	96761	
97.	Pali, Ronda	96761	
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SUPPORT OF HB 2006 / Individual

**Aloha Chair Johanson and
committee members,**

Thank you for this opportunity to testify in SUPPORT OF HB2006.

I support this bill for the following reasons:

The current residents of the apartments are comprised of below 60% & below 50% of the Area Median Income for Maui County. Some are disabled and/or elderly. They represent our most vulnerable population.

Maui County has a dire need for additional affordable housing. The most recent Hawaii Housing Planning Study indicates a need for 12,000 housing units on Maui for 2015-2025. There are very little affordable rental options in Maui County. If the current residents were to lose their units, there are virtually no other affordable rental units for them to move to. Many could become homeless.

Maui County has a limited number of shelters which are typically at full capacity. There is no adequate shelter space to accommodate displaced residents of the Front Street Apartment project.

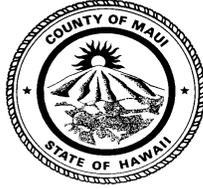
The developer entered into a 201G agreement with the county and received several exemptions based on the representation that the homes would remain in the affordable category for 51 years.

I respectfully request you to pass this bill out of your committee. Help save these residents from homelessness.

HB 2006

HD 1

**LATE
TESTIMONY**



ALAN M.
ARAKAWA
MAYOR

200 South High Street
Wailuku, Maui, Hawai'i 96793-2155
Telephone (808) 270-7855
Fax (808) 270-7870
E-mail: mayors.office@mauicounty.gov

OFFICE OF THE MAYOR
Ke`ena O Ka Meia
COUNTY OF MAUI – Kalana O Maui

February 12, 2018

TESTIMONY OF ALAN M ARAKAWA
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Tuesday, February 13, 2018, 9:45 a.m.
Conference Room 309

HB2006 RELATING TO AFFORDABLE HOUSING.

Honorable Aaron Ling Johanson, Chair
Honorable Daniel Holt, Vice Chair
Honorable Members of the House Committee on Labor & Public Employment



Thank you for this opportunity to testify in strong **SUPPORT OF HB2006.**

The purpose of this bill is to authorize the Hawaii Housing Finance and Development Corporation (HHFDC) or any entity of the State to initiate negotiations to keep the units of the Front Street Apartments on the island of Maui affordable or to acquire the Front Street Apartments property.

On behalf of the County of Maui, I support this bill for the following reasons:

- The current residents of the apartments are comprised of below 60% & below 50% of the Area Median Income for Maui County. Some are disabled and/or elderly. They represent our most vulnerable population.
- Maui County has a dire need for additional affordable housing. The most recent Hawaii Housing Planning Study indicates a need for 12,000 housing units on Maui for 2015-2025. There are very little affordable rental options in Maui County. If the current residents were to lose their units, there are virtually no other affordable rental units for them to move to. Many could become homeless.
- Maui County has a limited number of shelters which are typically at full capacity. There is no adequate shelter space to accommodate displaced residents of the Front Street Apartment project.
- The developer entered into a 201G agreement with the county and received several exemptions based on the representation that the homes would remain in the affordable category for 51 years. I have included a portion of the minutes of the Human Services and Parks Committee 1999 meeting granting approval of this project. In this excerpt you will see that the representative of the project stated that the project must remain affordable for 51 years.

I strongly urge you to pass HB2006.

Sincerely,

Alan M. Arakawa
Mayor, County of Maui

Encl.

HUMAN SERVICES AND PARKS COMMITTEE
Council of the County of Maui

MINUTES

October 13, 1999

Lahaina Civic Center Social Hall, Lahaina

MR. FRAMPTON: . . . Thank you, Mr. Chairman. And I'd like to thank the Council Members and the member of . . . Members of the Council, uh, County staff for coming out to Lahaina to hold this public hearing. I'll try to keep my presentation brief. I think a number of issues have been addressed by the previous speakers. I would like to introduce the other members of the project team. You did meet Mr. Dornbush and Mr. Christian Hart from . . .the, the two partners in the Front Street Apart. . .Front Street Affordable Housing Partners. Our design team. . .we have Uwe Shultz, the Architect. . .Civil Engineer is Carl Takumi; the Traffic Engineer is Randy Okaneku; the Project Manager for Sun America is Kent Smith; and Legal Counsel is Paul Mancini. Um . . .

. . . as was previously mentioned, this is an affordable rental project--142 units. It's being developed through the Low-Income Housing Tax Credit Program. Briefly, that's a Federal program which the, in which the U. S. government allocates. . .tax credits to all 50 states. The states. . .give out the tax credits on a competitive basis every year. This project went up against a number of other projects in the State. Three projects were awarded tax credits. This is the only one on Maui that was awarded the tax credits. Part of the requirements are that they keep this project in affordable rentals for 51 years--as part of that program. Um . . .

. . . the project is intended, of course, to address a demonstrated housing need in Lahaina. . .for affordable rentals.

COUNCIL OF THE COUNTY OF MAUI
HUMAN SERVICES AND PARKS COMMITTEE

November 5, 1999 Committee Report No. 99-202

Mr. Frampton provided your Committee with further details relating to the Project. He noted that the 142-unit Project was being built through a Federal low-income housing tax credit program. In essence, the Federal government gives each state a number of these credits each year. He noted that there were a number of other projects in the State who competed for the credits, but only three were awarded. The Project before your Committee is the only project on Maui that received this type of tax credit. Upon receiving the credits, one of the criteria is that the Project needs to remain in affordable housing for 51 years. Another criteria is that the Project can only take place in an area with demonstrated need for affordable housing.

House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2018

Committee on Labor & Public Employment
Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair
State Capitol, Conference Room 309
Tuesday, February 13, 2018; 9:45 a.m.



**Statement of ILWU Local 142 Re: H.B. 2006, H.D. 1
Relating to Affordable Housing**

The ILWU Local 142 supports H.B. 2006 H.D. 1, which directs the Hawaii Housing Finance and Development Corporation (HHFDC), or the appropriate state entity, to initiate negotiations to keep the units of the Front Street Apartments on the island of Maui affordable or to acquire the Front Street Apartments property unless certain conditions are met and appropriate funding.

H.B. 2006 H.D. 1 authorizes the State, whether through HHFDC or another state entity, to initiate negotiations with the leasehold fee owners, 3900 Corporation. Specifically, it allows the State to negotiate extending the affordable rents for tenants through 2027 OR acquire the property, provided that 70 units are rented to households with incomes not to exceed 50% Area Median Income (AMI) as determined by the United States Department of Housing and Urban Development (HUD) and 71 units are rented to households with incomes not to exceed 60% AMI as determined by HUD.

If an agreement to either extend the affordable rents to at least 2027 or to acquire the property is not reached within a reasonable amount of time as determined by appropriate State entity, the appropriate state agency shall exercise its power of eminent domain to acquire the property and improvements thereon.

The ILWU shares the legislature's concern regarding the severe shortage of affordable housing across the State and believes this bill is necessary to ensure the tenants of the Front Street Apartments are protected. We believe in protecting the working class and providing affordable housing is essential to the well-being of these tenants.

The ILWU urges passage of H.B. 2006 H.D. 1. Thank you for the opportunity to share our views on this matter.



HB-2006-HD-1

Submitted on: 2/12/2018 7:46:14 PM

Testimony for LAB on 2/13/2018 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
CSpellman	Individual	Support	No

Comments:

From: Carmie Spellman, Front Street Apartments

Date: February 12, 2018

Re: HB2006 Affordable Housing Front Street Apartments, Owners Broke 50 year Contract

Dear Honorable Legislators:

Thank you for this opportunity to submit written testimony in SUPPORT of HB2006. I am tenant at the Front Street Apartments having moved in 2011. I am a disabled, retired Kupuna of Chinese Hawaiian descent (HAPA) living on a fixed income. Due to Traumatic Brain Injury (TBI), Anterograde Amnesia, Degenerative Disc Disease due to Broken Back and numerous other fractures and health issues, I can no longer work. I am an educated woman but cannot even remember my telephone number without first looking it up due to my disability. I use a cane, walker, and wheelchair in airports.

I am in extreme duress due to the snafu that enabled the developers for the Front Street Apartments (FSA) to squirm out of this 50 year contract! They started renting these units in 2001. In 2012 they finally achieved their goal having started in 2005-2006 with a movement nationwide with other investors to coerce the IRS, Dept of Treasury into breaking and dishonoring this 50 year contract by doing an Administrative change. Congress was not involved in this process. When does a Director make a law that affects millions across the US negatively? They never intended on honor that 50 year contract for Affordable Housing here at the Front Street Apartments in Lahaina, Maui, HI 96761. Allegedly, this change was allowed based on financial duress and that allowed them to manipulate the Treasury. I moved in here on 2011.

Egregiously, the management an owners never even told any tenants about their breaking this legally binding contract. If they were honorable they would have told me upon moving in here 2011 that in 2012 I would be without a place to live in 2019! I found

out on Thanksgiving Day 2016. In the past few months FSA's has been installing Cherry Wood Cabinets, Marble Counters, and other opulent upgrades. Of Interest, they just stopped renovating when the Legislature started 2018 and are presently taking a Hiatus in order to look good for the Legislature.

There is nowhere to go as there is NO affordable housing in Maui. There are NO HUD Rentals available either due to Short-term rentals most of which are illegal! Additionally, everyone I know that lives in workforce development units between the 2 adults as an average work 5 jobs daily and never get to spend time with their children. My homelessness is guaranteed as I have no alternative plans for housing. I cannot even afford to move! My body and brain are broken and now so is my heart.

I did my due diligence and homework prior to moving into the FSA's. The deck was stacked because the Owners knew it was not ever going to be a 50 year contract. Yet, I read the contract of 50 years binding until 2051 and that helped me decide where to move and this would have been my forever home until my death. What happened to America when a contract means nothing? This is morally wrong an I suspect illegal. I urge you strongly to support HB2006 Please do not throw me aside like the developers!

Respectfully yours,

Carmie Spellman