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 FINANCE
April 4, 2018 at 2:30 p.m.
State Capitol, Room 308

In consideration of
S.B. 2293, S.D. 2, H.D. 2
RELATING TO AFFORDABLE HOUSING.

The HHFDC ***supports the intent*** of S.B. 2293, S.D. 2, H.D. 2, which 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.

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

April 3, 2018

TESTIMONY OF ALAN M ARAKAWA
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON FINANCE

Wednesday, April 4, 2018
2:30PM Conference Room 308

SB2293 SD2 HD2 Relating to Affordable Housing

Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

Thank you for this opportunity to testify in **SUPPORT** OF SB2293 SD2.

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 reasons offered on my previous testimonies, especially the fact that 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 have also included a portion of the Human Services and Parks Committee Report to Council reiterating the 51 year affordability requirement.

I would like to thank the House Committee on Labor for adding our suggested amendment, and for adding the amendments suggested by HHFDC.

I strongly urge you to pass SB2293 SD2 HD2.

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.

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

April 3, 2018

TO: Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

FROM: Kelly King
South Maui Councilmember

SUBJECT: **TESTIMONY IN SUPPORT OF SB2293 RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify in **support** of SB2293.

The purpose of this bill 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 Maui affordable, purchase the Front Street Apartments property, or acquire the property through condemnation.

I **support** this measure for the following reasons:

1. Front Street Apartments is located within Lahaina Town. Next to Waikiki, it is the major visitor revenue generator in the state. It is a National Historic Landmark District serving as Hawaii's first capital under the Kamehameha Dynasty in the early 1800s. We cannot afford to let Lahaina become like Waikiki by increasing the homeless problem in this district. The homeless shelter is at capacity and the wait for affordable housing on Maui is at least two years.

2. Public investment in developing and keeping Front Street Apartments exceeds $40 million. The Partners received $15.6 million in state and federal tax credits and close to $5 million in county benefits, including waivers on requirements to contribute 1.5 acres for a public park and compliance with building codes, and more than $2 million in real property tax exemptions.

3. Maui County officials have raised objections to the Partners claiming federal IRS rules protect their right to sell and/or raise rents to market price levels after the 15th year of service. Maui County officials note that the IRS rules exempt entities from the IRS procedures if their agreement is more restrictive, while the Maui County Council resolution makes no mention of an escape clause. There is a recognized problem with Qualified Contracts in the IRS rules.

4. Negotiations send a clear message that Hawaii will keep its inventory of low-income housing as a priority.

5. Saving current affordable housing is just as important, if not more so, as creating new affordable housing units.

6. Given the urgency of low-income housing in Lahaina there is enough cause to claim eminent domain, if necessary. It would be the pono and humane thing to do.

Hawaii State House Finance Committee
In Support of Senate Bill 2293
Testimony of Barbara Henny,
Co-Chair, Front Street Apartment Tenants Group
April 4, 2018

Good afternoon, Committee chair Sylvia Luke and other committee members. I am Barbara Henny, co-chair of the Front Street Apartment Tenants Group. The Front Street Apartment Tenants Group supports Senate Bill 2293.

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. We also received a letter of support from the LahainaTown Action Committee, representing more than 60 businesses.

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, First Chinese Church of Christ and Emanu- El Synagogue.

We are grateful for the support of businesses and labor — the more than 60 businesses who are members of the LahainaTown Action Committee and the hotel and other workers in the ILWU. We have also received support from Melodie Aduja, chair of the Oahu County Committee on Legislative Matters for the Democratic Party of Hawaii, the Filipino community of Ota Camp in West Loch 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 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 Senate Bill 2293, many of the 250 people living at Front Street Apartments will be homeless and homeless in Lahaina, an area second only to Waikiki as an urban visitor destination in the state. The nonprofit homeless resource center, Ke Hale Ake Ola, says it is at capacity and the wait for affordable housing is two years. As the first capital of the Hawaiian Kingdom, Lahaina Town is a National Historic Landmark and a precious resource to all taxpayers.

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, hair stylists, executive assistants, 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. We have been unable to find any reference by the Partners to an escape clause, while the Partners were applying for Maui County waivers and rezonings.

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. We hope the passage of Senate Bill 2293 will help to bring resolution to our plight. We welcome creative solutions on your part and a broader discussion of providing us with low-income housing in West Maui. Please stand with us.

— Barbara J. Henny 1802 Kenui Place Lahaina, HI 96761 Tel: (808) 667-9215, 283-2415

(END)

The Twenty-Ninth Legislature
Regular Session of 2018

HOUSE OF REPRESENTATIVES
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair
State Capitol, Conference Room 308
Wednesday, April 4, 2018; 2:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2293 S.D. 2 H.D. 2
RELATING TO AFFORDABLE HOUSING**

The ILWU Local 142 supports S.B. 2293 S.D. 2 H.D. 2, 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 Maui affordable, purchase the Front Street Apartments property, or acquire the property through condemnation. It also authorizes the conditional use of funds from the Rental Assistance Revolving Fund to negotiate with the property owners.

S.B. 2293 S.D. 2 H.D. 2 authorizes the State, whether through HHFDC or another state entity, to initiative negotiations with the leasehold fee and improvement owners, 3900 Corporation and Front Street Affordable Housing Partners Limited Partnership, or their successors. Specifically, it allows the State to negotiate extending the affordable rents for tenants through an undisclosed year 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 or to acquire the property is not reached within a reasonable amount of time, as determined by the appropriate State entity, that state agency shall exercise its power of eminent domain to acquire the property and improvements thereon. The measure appropriates an unspecified amount for the purpose of negotiating this transaction, provided funds are matched by the County of Maui.

The ILWU shares the legislature’s concern regarding the severe shortage of affordable housing across the State. We believe this bill is necessary to ensure the working class tenants, including ILWU members and their families, of the Front Street Apartments are protected.

The ILWU urges passage of S.B. 2293 S.D. 2 H.D. 2. Thank you for the opportunity to share our views on this matter.

State House Finance Committee
Testimony of Joseph Pluta,
Vice President, West Maui Taxpayers Association
In Support of Senate Bill 2293
April 4, 2018

I'm Joseph Pluta, vice president of 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. However, we are open to creative solutions in providing low-income housing for Front Street Apartment tenants in West Maui, as long as they are backed with a solid plan for providing appropriate housing.

Joseph Pluta,
Vice President,
Telephone: 661-7990

April 3rd 2018
State House Finance Committee
Rep. Sylvia Luke, Chair
State Capitol
Honolulu, Hawaii

Dear Representative Luke:

I am writing on behalf of The LahainaTown Action Committee to go on record in support of SB2293 to keep the low-income Front Street Apartments in operation.

We are at a pivotal moment in our state's history when many of our residents, our 'ohana, face grave uncertainty about where they can afford to live. The 2017 Maui County Affordable Housing Summit report details that 13,496 affordable housing units will be necessary within the next 10 years to keep pace with the rising costs of living and employment trends. If this need isn't met, I fear what becomes of our neighbors, our friends, our family.

Lahaina is already working diligently to fight the rising tide of homelessness in our community, especially in highly visible commercial areas such as Lahaina Town. Preserving the affordability of the Front Street Apartments would be a great step forward in this fight - we all stand to win from this measure.

Lahaina Town is a major economic engine in Hawaii's visitor industry. Each year the more than 60 businesses of the LahainaTown Action Committee work together to put on nearly 30 events along Front Street and its surrounding areas that successfully bring in tens of thousands of patrons who support the world class restaurants, shops and galleries that make Lahaina so special. We hope you will take our recommendation as seriously as you take our contributions to the economy of this state.

Most of Lahaina is within both the National and State Historic Districts. It was the first capital of the Hawaiian Kingdom. We pride ourselves on being the curators of this historic jewel. We must ask ourselves, what is our kuleana in this matter? How will Hawaii's future generations measure our contributions to this important issue? As leaders in our community let's strive to be the great ancestors future generations of Hawaii deserve.

Sincerely,

Sne Patel
President, LahainaTown Action Committee,
(808)-264-9950

SB-2293-HD-2
Submitted on: 4/3/2018 11:08:46 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Norrington	Waiola Church UCC	Support	No

Comments:

WAIOLA CHURCH, UCC
535 Waine‘e Street
Lahaina, HI 96761
Office/Fax: 808.661.4349
Web: www.waiolachurch.org
Email: jen@waiolachurch.org
April 3, 2018

State Representative Sylvia Luke
State House Finance Committee
State Capitol
Honolulu, Hawaii 9681

Dear Chairperson Sylvia Luke,

The Board of Trustees of Waiola Church, UCC supports State Senate Bill SB2293 and urges our State legislature to find a way to maintain affordable housing at the Front Street Apartments in Lahaina, Hawaii.

As the oldest church on Maui, soon to celebrate our 195 anniversary, Waiola has had a long standing interest in the need for affordable housing, which has become even more critical in recent years. We are concerned for the current tenants facing eviction, who will be unable to find affordable options in the area, or even on the island. Our homeless population grows larger every year as low income families and individuals join their ranks...a situation that impacts us all.

Taxpayer money was lost and favors were granted to allow these units to be built - on the premise that they would remain affordable. A remedy for the IRS loophole voiding that contract needs to be found.
Please find a way to retain these units for those who call them home.

Sincerely,
Kahu Anela Rosa
and
Linda Norrington

Moderator, Board of Trustees
Waiola Church, UCC

SB-2293-HD-2
Submitted on: 4/3/2018 2:09:15 PM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	the Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Sylvia Luke, Chair; the Honorable Ty J.K. Cullen, Vice-Chair and Members of the Committee on Judiciary:

Good afternoon, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **SB2293 SD2 HD2**, relating to the Hawaii Housing Finance and Development Corporation; Affordable Housing; Maui; Front Street Apartments; and an appropriation.

The OCC Legislative Priorities Committee is in favor of **SB2293 SD2 HD2** and support its passage.

SB2293 SD2 HD2, is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), as it 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 Maui affordable, purchase the Front Street Apartments property, or acquire the property through condemnation and authorizes the conditional use of funds from the Rental Assistance Revolving Fund to negotiate with the property owners.

Specifically, the DPH Platform states, "Housing is a basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents on Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent. . .. We believe in the concept of "Housing First" to develop affordable, state housing and support services to break the cycle of homelessness for people with the fewest housing options." (Platform of DPH, P. 7, Lines 340-344, 352-353 (2016)).

Given that **SB2293 SD2 HD2** 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 Maui affordable, purchase the Front Street Apartments property, or acquire the property through condemnation and authorizes the conditional use of funds from the Rental Assistance Revolving Fund to negotiate with the property owners, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,
/s/ Melodie Aduja
Melodie Aduja, Chair, OCC Legislative Priorities Committee
Email: legislativeprorities@gmail.com, Tel.: (808) 258-8889

SB-2293-HD-2
Submitted on: 4/3/2018 11:01:05 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Yvette Watker Burdett	Yvette Burdett / OTA Camp Makibaka	Support	No

Comments:

Aloha Representative Luke,

Thank you for considering the approval of Bill SB2293 in support of the Front Street Apartment tenants. On behalf of a long time beneficiary of an affordable rental project known as OTA CAMP Makibaka located in Waipahu, we hope that the bill will continue to move forward today and help our families remain in their homes.

The lives of thirty one families here at OTA Camp have received volumes of benefits from this hard fought affordable housing program, and we are still a very strong community caring for our families in the same location that we are proud to represent. We have grown in size and population and have brought up active community members such as our famous boxing legend World Lightweight Champion Andy Ganagin, Jhanteigh Kupihea Senior editor for Simon & Schuster in New York City and myself, local contracting business owner.

Your support is needed. This is a very difficult time for affordable housing in Hawaii. Please stand with us.

Sincerely,

Yvette Burdett

(808) 230-9695

SB-2293-HD-2
Submitted on: 4/3/2018 10:53:55 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
david gierlach	st elizabeth's church	Support	No

Comments:

I support the pending legislation to prevent the eviction of the Front Street tenants. We cannot create more houseless folks. Please fund this legislation as a reasonable method to maintain this inventory of affordable housing in our State.

TESTIMONY OF THE FRONT STREET AFFORDABLE HOUSING PARTNERS

HEARING DATE/TIME: Wednesday, April 4, 2018
2:30 PM
Conference Room 308

TO: Committee on Finance

RE: Testimony in Opposition to SB2293 SD2 HD2.

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 SB2293 SD2 HD2 (the "Subject Property"). FSAHP strongly opposes SB2293 SD2 HD2 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 Contract[1] 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

[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). See Memorandum Re: Genesis of IRC § 42 Right to Qualified Contract Process attached hereto as Exhibit "A".

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, 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 protected tenants for approximately another 1½ years. Thus there is no imminent threat to any protected tenants in the Project.

There Appears To Be Significant Misunderstanding Among Proponents of SB2293 SD2 HD 2 Regarding the Origin and the Timeline Regarding the Implementation of the Qualified Contract Process. A number of individuals who have submitted testimony in support of the subject bill have maligned FSAHP by wrongfully accusing FSAHP of collaborating with others in 2012 to coerce the IRS into allowing FSAHP, and other similarly situated developers, to variously "bugout" or "dishonor" a 50-year commitment to maintain below market rental rates for their properties. Such claims are untrue. First of all, FSAHP never advocated any change to the Low Income Housing Tax Credit ("LIHTC") Program. Second, attached hereto as Exhibit "B" is a timeline of the legislative history of the LIHTC Program. To be abundantly clear, the revisions to the program that enacted the additional 15-year use restriction period and simultaneous qualified contract process occurred in 1990 with the Revenue Reconciliation Act of 1989. The misguided testifiers may be confusing a number of Treasury Regulations that were enacted by the IRS in 2012 to clarify aspects of the qualified contract program, such as how the formula works, what "bona fide" means, etc. But it is uncontroverted that the qualified contract process has been available to all projects receiving an allocation of LIHTC after December 31, 1989. The simple reason that the Qualified Contract provision is included in the LIHTC Program and IRS code is to protect affordable housing developers in the case where the extended use period becomes overbearing on 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 valuation approach to determine the value of the property - Cap Rate, Market Sales or Replacement Cost, the following table shows a range of value that could be expected:

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

[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.

any eminent domain proceeding and in any such proceeding will seek to obtain the full market value of FSAHP's interest.

<u>Passage of SB2293 SD 2 HD2 is likely to Result in Costly and Protracted Litigation</u>. 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 SB2293 SD2 HD2 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. Given Hawaii's humongous unfunded EUTF liability and underfunded ERS obligations, as well as numerous other financial needs, it is inconceivable that the legislature would be willing to pay as much as $60,000,000 to maintain 142 low cost rental units (at a cost of over $422,000 each) in a high real estate value resort area.

<u>SB2293 SD2 HD2 will have a Significant Chilling Effect upon Developers' Willingness to Enter Into Creative Solutions to Address Hawaii's Affordable Housing Needs</u>. 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 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.

<u>There are likely More Affordable Options Available to Address Affordable Housing Needs in the Vicinity of the Subject Property</u>. Attached hereto collectively as Exhibit "C" 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.

<u>Finally, despite contrary claims from proponents of this legislation, no tenant is in danger of eviction</u>.

<u>Conclusion</u>. 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

Exhibit "A"

Memorandum Re: Genesis of IRC Section 42 Right to Qualified Contract Process

INTRODUCTION

Property owners who want to exit the low-income housing tax credit ("LIHTC") program before the end of an affordable project's lengthy extended use restriction period may consider using the "qualified contract" process. This process allows an owner, at any time after the 14th year of the project's initial 15-year compliance period, to request the state housing agency to find a buyer who will continue to operate the building as a LIHTC project. If the housing agency is unable to find a qualified buyer within a 1-year period, the land use restrictions restricting rents terminate (subject to a three-year decontrol period). The owner is then free to operate the building at market rate (again, subject to a three-year decontrol period that caps rents for existing tenants and prohibits eviction except for good cause). The purpose of this memorandum is to explain the genesis of the qualified contract process and how the right to exercise the process was created.

WHAT IS A QUALIFIED CONTRACT AND WHO IS ELIGIBLE?

A qualified contract is a contract to acquire a LIHTC building for a price computed under a formula described in Section 42 of the Internal Revenue Code ("IRC") and its implementing regulations. See *IRC Section 42(h)(6)(F)*. In other words, a qualified contract is an agreement to: (a) purchase an existing LIHTC building that has completed its initial tax credit compliance period but is still in extended use; and (b) maintain compliance for the duration of the extended use period. This allows the existing ownership to step out of the property while keeping it as affordable housing regulated by IRC Section 42.

All owners of LIHTC properties that (1) have not waived their right to apply for a qualified contract in their regulatory agreement (or other contract) and (2) have received an allocation of LIHTCs after January 1, 1990 that are subject to an additional use period extending the minimum affordability period that the owner must preserve, are eligible to apply for a qualified contract by requesting one from their state housing agency and following applicable agency rules. See *IRC Section 42(h)(6)(D)*.

HOW IS THE RIGHT TO A QUALIFIED CONTRACT CONFERRED?

The main written contract which governs the LIHTC program's restrictions of a particular property is the recorded regulatory agreement between the owner and the state housing agency known as the "extended low-income housing commitment" in IRC Section 42. While this regulatory agreement preserves the LIHTC program's restrictions in the long term, it is not required to specify the right of an owner to request a qualified contract. The United States Congress specifically provided for two exceptions that allow for early termination of an extended use period. These two exceptions – foreclosure and the failure to find a qualified buyer – are exhaustive and sufficient to confer rights. See *IRC 42(h)(6)(E)(i)*; H.R. Rep. 101-894 (1990).

The right to request a qualified contract is specifically set forth in IRC Section 42:

> The extended use period of any building shall terminate … (II) on the last day of the period specified in subparagraph (I) if the housing credit agency is unable to present during such period a qualified contract for the acquisition of the low-income portion of the building by any person who will continue to operate such portion as a qualified low-income building. *IRC Section 42(h)(6)(E)(i)*.

Accordingly, an owner of a tax credit project has the absolute right under federal law to submit a written request to the housing credit agency to find a buyer to acquire the owner's interest in the low-income portion of the building after the 14th year of the compliance period. See *IRC 42(h)(6)(E)(i)(II)*. The right to request a qualified contract is a statutory right, meaning it is a right conferred under a law enacted by a legislature or other governing body, as opposed to judge-made precedent or a contractual right provided in a written contract.

Enacted in 1987, the LIHTC program is one of the most critical and effective federal programs for the production and preservation of affordable rental housing in the United States. Beginning in 1990, federal law required tax credit projects to remain affordable for a minimum of thirty (30) years, for a 15-year initial compliance period and a subsequent 15-year extended use period. However, that same year Congress also ensured that the changes included a qualified contract process which would provide owners an option to leave the LIHTC program after 15 years by asking their state housing agency to find a buyer, at a formula-determined price, who would agree to maintain the property under affordability restrictions.

There are many reasons that an owner may desire or need to opt out of the extended use period, particularly at Year 15, and Congress recognized this by including the right to request a qualified contract. During the first 15 years of a LIHTC property's compliance period, owners must report annual on compliance with LIHTC leasing requirements to both the Internal Revenue Service ("IRS") and state monitoring agency. After 15 years, the obligation to report to the IRS on compliance issues ends and investors are no longer at risk for tax credit recapture. Therefore, some investors look to exit the deal and new ownership entities can't sustain the affordability restrictions. At Year 15 many LIHTC buildings also require substantial new equity or debt to pay for renovation costs that are often substantial. Thus, the exit strategy may be critical to keeping LIHTC properties from becoming distressed.

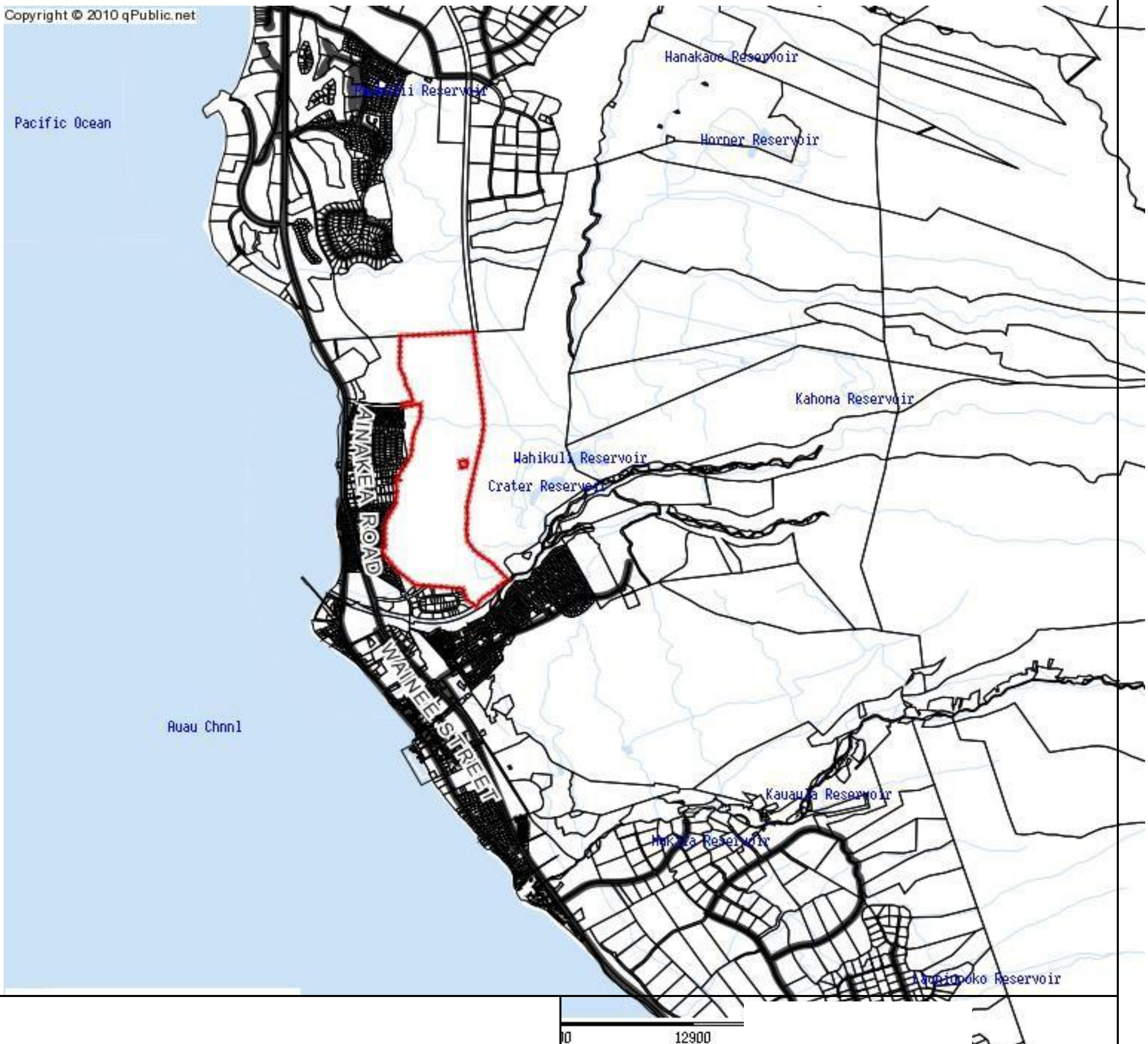
Exhibit "B"

1987	LIHTC program enacted by the Tax Reform Act on 1986
1989	A task force headed by Sen. George Mitchell (D-Maine) and Sen. John Danforth (R-Mo.) issues a report on the LIHTC program with recommendations to (1) require states to have specific written allocation plans that are subject to a public hearing process; and (2) require that tax credit properties serve low-income families for 30 years.
1990	LIHTC program revised to allow properties subject to a 15-year compliance period to be subject to an additional 15-year use restriction period (but can elect to leave the program early through QC process). This was done by the Revenue Reconciliation Act of 1989 that added the "extended use period" requirement to §42(h)(6) (along with the QC escape value) and became effective with respect to projects that received an allocation of LIHTC after December 31, 1989.
2009	Housing and Economic Recovery Act of 2008 (HERA). HERA included rules specifically designed to address the negative impact previous years' declining median incomes had on rent growth at LIHTC properties. As a result, in 2009, many existing tax credit properties may experience rent growth for the first time in several years. While the program's goal is to maintain affordable rents for low-income families, the ongoing feasibility of LIHTC properties in many markets has surfaced as a significant issue. In some markets, rents have been flat since 2003, and in some instances, net rents have declined due to increasing utility allowances. Striking a balance between affordability for tenants and feasibility for owners was central to the new provisions in HERA relating to median incomes and rent growth.
2012	In May 2012, the IRS finalized and adopted previously issued proposed regulations (Proposed Treas. Reg. §1.42-18) defining the qualified contract formula and many of the terms used therein. • A qualified contract must be presented within one year after requested by taxpayer, which request may not be made until after the fourteenth year of the Compliance Period; • Must be a bona fide contract to acquire (within a reasonable time) the non-low-income portion of the project for fair market value and the low-income portion of the project, that is, the applicable fraction of the project specified in the extended use commitment, for the "low-income portion amount"; and • Under the final Regulations, the fair market value of the non-low-income portion of the building should reflect the existing and continuing restrictions on the building set forth in the extended use commitment. The final Regulations provide that the non-low-income portion also includes the fair market value of the land underlying the entire building, both the non-low-income portion and the low-income portion, regardless of whether the building is entirely low-income as well as items of personal property not included in Eligible Basis that will be conveyed pursuant to the qualified contract. Treas. Reg. §1.42-18(b)(3). • The low-income portion amount is an amount not less than the applicable fraction specified in the extended use commitment

		multiplied by the sum of: o (i) the "outstanding indebtedness" secured by, or with respect to, the building (defined in Treas. Reg. §1.42-18(c)(3)), 46 o (ii) the "adjusted investor equity" in the building (as defined in Treas. Reg. §1.42-18(c)(4)), o (iii) other capital contributions (as defined in Treas. Reg. §1.42- 18(c)(5)) not reflected in i. or ii. above, minus o (iv) the amount of cash distributions from (or available for distribution from) the building. • Note: In response to comments concerned with project reserves distorting the low-income portion of the building, the final Regulations explicitly provide that cash available for distribution includes reserve funds so long as the reserve funds are not legally required by mortgage restrictions, regulatory agreements, or third party contractual agreements to remain with the building following the sale. Treas. Reg. §1.42- 18(c)(6)(i)(B). • "Outstanding indebtedness" is defined as the remaining stated principal balance of any indebtedness secured by, or with respect to, the building that (i) does not exceed the amount of "qualifying building costs," (ii) is indebtedness under general principles of Federal income tax law, and (iii) is actually paid to the lender upon the sale of the building or is assumed by the buyer as part of the sale of the building. Treas. Reg. §1.42-18 (c)(3). "Qualifying building costs" means costs included in the adjusted basis of depreciable property that qualifies as residential rental property, including costs incurred after the first year of the Credit Period. Treas. Reg. §1.42-18(b)(4). • "Adjusted investor equity" means, with respect to any calendar year, the cash invested by owners for qualified building costs. Thus, equity paid for land, credit adjuster payments, tax credit application fees, operating deficits, and legal, syndication and accounting costs. Treas. Reg. §1.42-18(c)(4)(i). Comment: If "outstanding indebtedness" exceeds "qualified building costs," seemingly "adjusted investor equity" must be zero. Also, to the extent that upward credit adjusters result from increases in qualified building costs, it does seem logical to exclude payment for such adjusters from adjusted investor equity. o (i) Adjusted investor equity is increased annually by a cost-of living adjustment based on the Consumer Price Index 47 calculated pursuant to a methodology consistent with inflation adjustments made under section 1(f) of the Code; and o (ii) Adjusted investor equity is taken into account only to the extent there existed an obligation to invest as of the commencement of the Credit Period. Query whether there is a sufficient "obligation" to invest if the obligation is contingent upon conditions expected to occur after the commencement of the Credit Period or representations and warranties concerning the project or subject to adjustment

		if tax benefits are less than forecasted. • Comment: The final regulations incorporated many comments received from practitioners. One exception is the inclusion of a fair-market-value cap for the qualified contract price. Many commentators noted that the qualified contract price might exceed the fair market value of a project under certain circumstances. Ultimately, the IRS and the Treasury concluded that they did not have authority to issue a fair-market-value cap for the low-income portion of the qualified contract amount under Section 42(h)(6)(E)(i) of the Code. • The proposed regulations allowed the state housing agency to adjust the fair market value of the building if, after a reasonable period of time within the one-year offer of sale period, no buyer has made an offer. Proposed Regs. §1.42-18(c)(1). In response to criticisms that this discretionary adjustment would distort property valuations and purchaser demand, the IRS changed this provision to allow the state housing agency and the owner of the project to agree to adjust the fair market value of the non-low-income portion of the building during the one-year offer of sale period. Treas. Reg. §1.42-18(c)(1)(iii). However, if no agreement between state housing agency and the owner is reached, the fair market value of the non-low-income portion of the building determined at the time of the agency's offer of sale of the building to the public will remain unchanged. Moreover, the buyer and the owner, not the agency as provided in the Proposed Regulations, must adjust the amount of the low-income portion of the qualified contract formula to reflect changes in the components of the qualified contract formula such as mortgage payments which reduce outstanding indebtedness between the time of the agency's offer of sale to the general public and the building's actual sale closing date. Treas. Reg. §1.42-18(c)(1)(ii). • Despite concern over potential abuses resulting from the vague definition of "bona fide offer," the final Regulations do not provide a more specific and restrictive definition of the term.

Exhibit "C"



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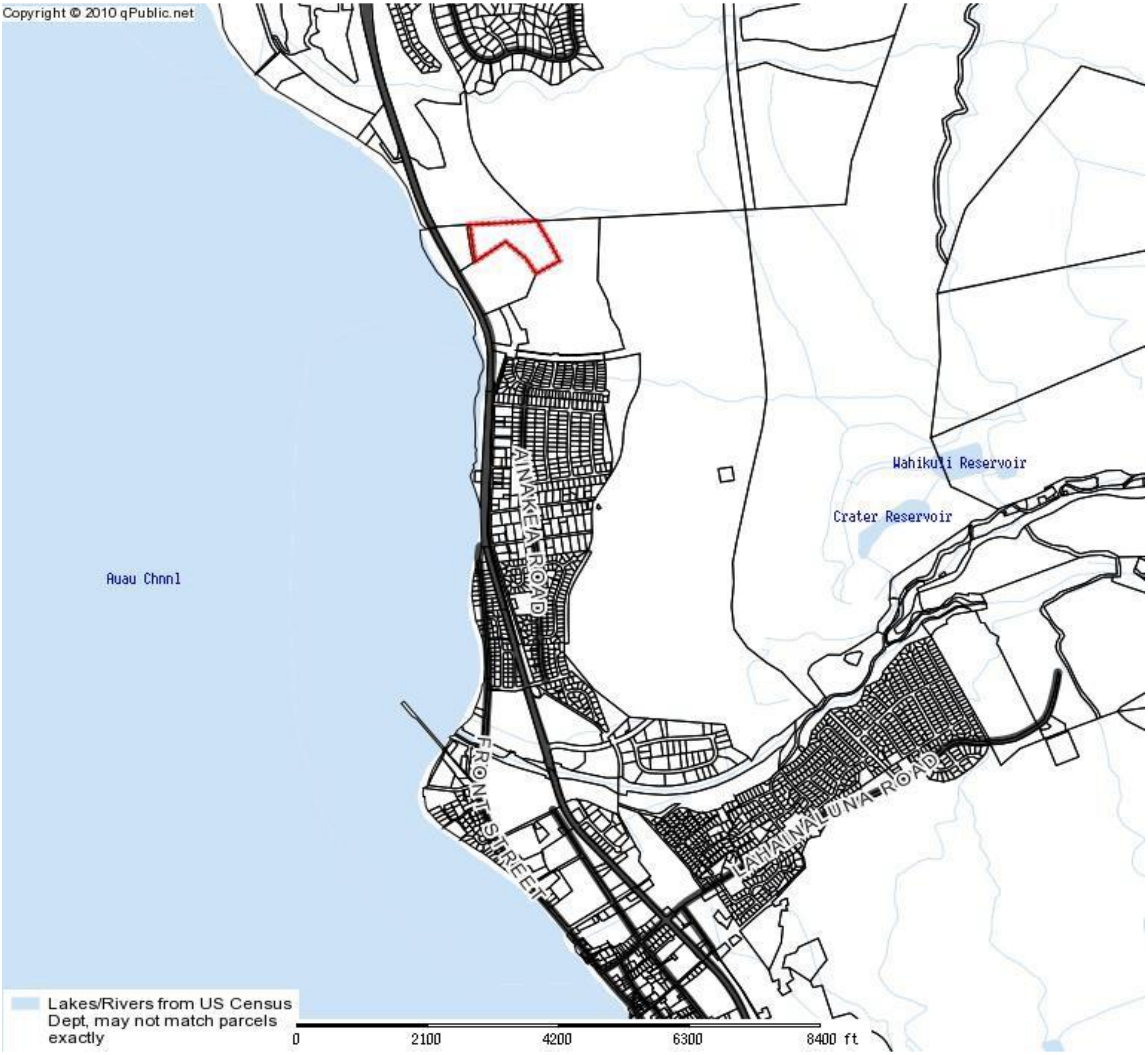

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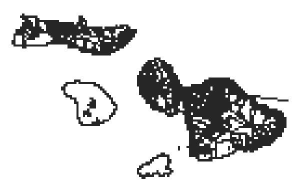

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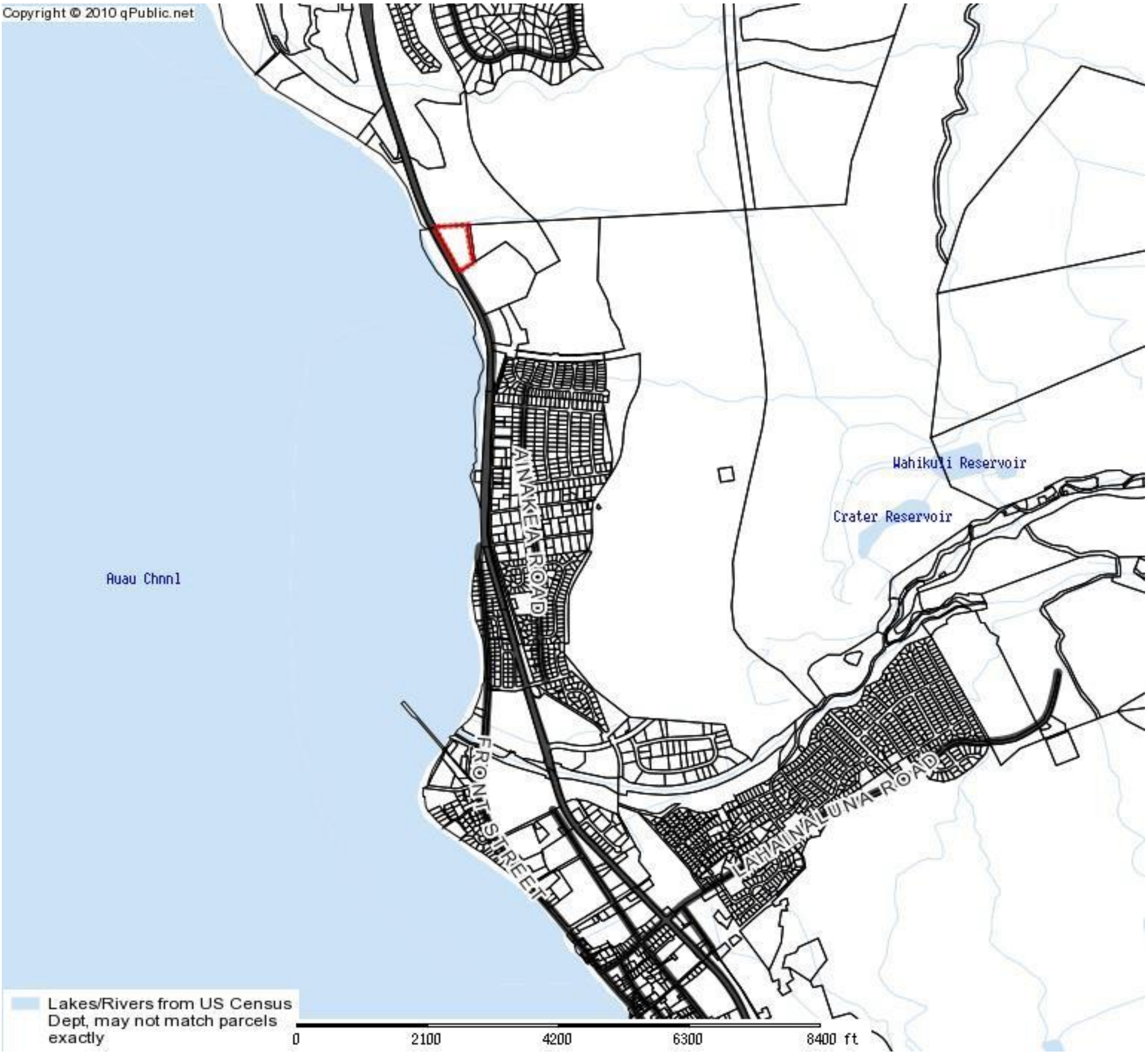

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State House Finance Committee
Testimony of Gary T. Kubota,
Volunteer Liaison, Front Street Apartment Tenants Group
In support of Senate Bill 2293
April 4, 2018

Good afternoon, Committee chair Sylvia Luke. 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 in the early 2000s by the Partners with the state, the building owners were taking out a $17-million loan to develop the property.

So, what we're 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, parking spaces, 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 who lobbied for the changes in the rules 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 try to cash in. The Tenants Group feels an aggressive approach needs to be taken.

There are a growing number of low-income housing advocates nationally who recognize there is a problem. Several weeks ago, 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 who have paid the most through rents to keep Front Street Apartments in operation need help now. They need help to make things right. Thank you.

— Gary Kubota, 3450-A Keha Drive, Kihei, Hawaii 96753, telephone (808) 268-3918

(END)

Hawaii State House Finance Committee
In Support of SB2293
Testimony of Marialejandra Pocaterra
April 4, 2018

Aloha Committee chair Sylvia Luke and committee members. My name is Marialejandra Pocaterra. I am a tenant at Front Street Apartments speaking in favor of Senate Bill 2293. I am grateful for this opportunity to speak and thankful to those who are able to keep an open mind. Like many of your immigrant ancestors, I became a naturalized citizen after many years of struggle in the Hawaiian Island. I did not plan to be a single parent of a son but I became one. I did not plan to be a victim of domestic violence, but when the domestic violence happened, I became a single parent. I am a survivor of domestic violence, and I would not wish that experience upon anyone. There are a number of single parents at Front Street Apartments who are domestic violence survivors, and Front Street Apartments has served as our safe haven. It has also been a safe place for disabled veterans and other people as well, such as a single parent working mother whose son has Down's Syndrome.

I tried to attend a state House Labor and Public Employment Committee hearing last month but was unable to be there because Hawaiian Airlines canceled my flight out of Kapalua Airport. I wish I could be here today, but I am working at two jobs to support myself and my 7-year-old son. I wish the mother whose son has severe Down's Syndrome could be here, as well as the Gulf War veteran fighting cancer or the former Molokai resident on dialysis. But when you are a low-income tenant, the cost of traveling inter-island makes travel is very difficult.

Most of the tenants work on the west side of Maui, including Lahaina, and many work at more than one job. I myself work as a hair stylist at a beauty salon in Napili and also a part-time aerial acrobat at a resort. If Front Street Apartments no longer rents to low-income tenants like me, I fear many of us will become homeless, and many of us including our children will become vulnerable.

It seems there is a shrinking number of affordable rentals for residents on Maui. The last I checked I would have to wait five years for government-subsidized housing. For the sake many
families who are unable to be here to testify, please help Front Street Apartments tenants remain in low-income rentals.

Mahalo,
Marialejandra Pocaterra
(808) 250-4580

Hawaii State House Finance Committee
In Support of SB2293
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April 4, 2018

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Mahalo,
Marialejandra Pocaterra
(808) 250-4580

SB-2293-HD-2
Submitted on: 4/3/2018 11:49:06 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Wendy Arbeit	Individual	Support	Yes

Comments:

I support this bill. I believe the state should do everything possible to prrevent these seniors from becoming homeless, especially since Front Street Apartments were built with state support and rents were supposed to remain stable until 2050.

Shame on the Weinberg Fn, which purports to be a philanthropic organization, and Front Street Affordable Housing Partners for raising the rents. It appears the only reasonable pushback is for the passage of SB2293. Please pass this bill.

Aloha from Maui.

My name is Ratna Heilscher. My family lives in Front Street Apartment. I am a single parent and working as an Educational Assistant at King Kamehameha III Elementary School. I suffer from arthritis which causes pain in both of my knees. It is not easy for me, with my income, to raise my son who is a sophomore at Lahainaluna High School and to keep up with all the living expenses in Lahaina. This is the reason why I need an affordable rental house.

There is a serious shortage of affordable rentals in West Maui. We have lived in Front Street Apartment for 15 years and we really can't afford to live anywhere else.

Please keep Front Street Apartment affordable.

Thank you.

Aloha pumehana~
>>> My name is Nancy A. Silva & i have resided on W.Maui since 1986. I had lived in a rented home on Front St, Lahaina for 13 yrs. The yr i moved out, i was forced to move 4 times. When i looked @Front St. Apts. in Oct, 2001, the determining factor in my decision to move in was the fact that I was told that the rent would remain affordable for @least 51 yrs. Thus i knew i wouldn't have to continue to move in my senior yrs, especially when affordable rentals were becoming obsolete. I was assured I'd have an affordable, secure, stable home until well into my 97th yr, should i be blessed to live that long.
>>> After all these yrs of receiving tax credits, a fed. loophole has allowed FSA to back out of the original agreement, now renting 1 bdrm for $1700. & giving those of us "grandfathered in" until Aug of 2019 to decide whether we can afford to pay the more than doubled rents, hope to find an affordable rent or move out onto the streets of W. Maui.
>>> The prospects are glum as rentals become harder to find & less & less affordable. We are a close-knit community of families, retirees, disabled, workforce & business owners like myself. We are in a conundrum & we desperately need your help! There is a critical need for affordable housing, esp. on W Maui. If state & county together could purchase FSA, it could be kept affordable. Ideally, it should remain affordable in perpetuity for future W.Maui residents. Please help us to find a way to accomplish that.
>>> Mahalo nui loa! Sincerely,
>>> Nancy A. Silva
>>> 822 Kenui Circle
>>> Lahaina, HI 96761
>>> 808-280-2291
>>> mauistar@earthlink.net

SB-2293-HD-2
Submitted on: 4/3/2018 6:39:45 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carmie Spellman	Individual	Support	No

Comments:

Carmie Spellman-Front Street Apartments

4/2/2018

Regarding : SB 2293, SD2, HD2 (HSCR1506-18)

Dear Honorable Legislators:

Thank you for this opportunity to submit my written testimony in support of SB2293 SD2 HD2 HSCR 1506-18. 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 a broken back and numerous other fractures and health issues, I can no longer work. Although I am an educated woman with a substantial work background my short-term memory is gone. On a good day I can remember my telephone number. Every day is a challenge.

Back-in-the-day, I worked for the Alaska Legislative Affairs Office as an Information Officer-Bethel, AK. I was nominated to be a Senate Aide. It required a legislative internship in Juneau for almost a year prior to my even working as an Aide. As a Senate Aide, I worked for a pro-education Senator and we wrote the Alaska Student Loan Program. Five years later I went on to finish my Undergraduate degree in conjunction with my graduate degree. While attending University I did a practicum for Congress. After graduation, I returned to the State of Alaska and worked as a House Aide, Executive Assistant Manager for the Alaska State Chamber of Commerce in Juneau, Alaska. I became a partner in an International Outerwear Garment Company located in Fairbanks, Alaska and we also had an office in Manhattan, NY. I assisted in raising $200,000,000 for an extension to the Anchorage Museum. I was a volunteer spotter for the Civil Air Patrol and worked part-time as a fitness instructor prior.

Serendipitously, due to an ear infection while in Oahu I acquired and ear infection 2004. I could not fly back to Alaska,due to this infection and potential hearing loss if my ear drum ruptured. I was grounded. So I flew to Maui a place I had travelled to frequently starting in the early 70’s and stayed for long periods of time. A place I wanted to call home so I decided to get a job and permanently live in Maui. I was hired as an Art

Consultant in Lahaina and started working 6 weeks after I got my job. I started working in January 2005. Unfortunately, three months later a major auto accident on Honopiilani Hwy. changed my life forever. Yet, I continued to work in the Gallery on Front Street until my Anterograde Amnesia from Traumatic Brain Injury (TBI) became too challenging. I was declared permanently disabled in 2008 and eventually got my Social Security. Early retirement is over-rated you have time but no stability and no money. For 4 years prior to my Social Security kicking in I was homeless on and off and I never want that to happen to again it is dangerous and terrifying! I spent 4 miserable years trying to work but with no short-term memory I was not capable of working full-time in any capacity.

Once intrepid, now I live in constant fear of being homelessness once again because of the FSA fiasco I have terror dreams! Shame on them for lying and manipulating the system and thoroughly destroying hopes and dreams! In 7 years I have never once been late on my rent! Social Security is poverty level. I was on a waiting list for six long years before I got on HUD. I can barely afford to put food on my table or pay rent with HUD. This is not my Golden Years.

Egregiously, management and owners have never told any of us tenants about what they did and what was in store for us-Eviction!!! If they were honorable, which they are not, I would not be sleepless and chronically depressed crying, worrying not knowing if homelessness is around the corner.

There is nowhere to go as there is no affordable housing in Maui. There are NO HUD Rentals available and something like 10,000 hopefuls are waiting for housing. Without HUD I am homeless but there are no HUD Rentals except for where I live at the FSA. My homelessness is guaranteed as I have no alternative plans for housing because there is none. 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 never going to be a 50 year contract. I moved here because of that 50 year contract! This would have been my forever home until my death. What happened to America when a contract means nothing? Congress did not make this decision but rather a Director! This is morally wrong and I suspect illegal.

Mahalo Nui for giving me this opportunity to tell you how devastating it is when you make plans and then some unscrupulous developer cheats and manipulates the Maui County Council, State of Hawaii and US Government, Me and 300 hundred other tenants and I am in no position to do anything about it. Please help me and other tenants here at the FSA, Lahaina, Maui.

I am asking you to please Support SB2293 SD2 HD2 HSCR 1506-18. I implore you do not throw me aside like the developers! Respectfully,

Carmie Spellman, Tenant

Front Street Apartments

SB-2293-HD-2
Submitted on: 4/3/2018 7:16:37 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Guillian Malone	Individual	Support	No

Comments: Aloha, my names is Guillian Malone. I was one of the first renters at the FSA. Please support SB2293.

SB-2293-HD-2
Submitted on: 4/3/2018 8:52:54 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kekapa Lee	Individual	Support	No

Comments:

Please kokua and pass SB2293 SD2 HD2 on behalf of the folks and families of the Front Street Apt tenants. I was pastor at Lahaina's Waiola Church and worked with other churches then to kokua and malama these places around Lahaina and West Maui. So I'm asking and encouraging you to suport this bill. Blessings and aloha - Kahu Kekapa Lee, Senior Pastor of The First Chinese Church of Christ UCC in Honolulu.

SB-2293-HD-2
Submitted on: 4/3/2018 10:37:43 AM
Testimony for FIN on 4/4/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Massa	Individual	Support	No

Comments:

The owners of the Front Street Apartments had a 50 year agreement previously to support the community and were compensated substantially with the sum of millions of dollars and various breaks in permits and zoning restrictions and requirements. I understand that they found a LEGAL way out but that doesn’t make it right. They are taking advantage of the State, County, and federal government and this can not be allowed. We the people need to put a stop to this one way or another. No one should allow any entity to take advantage of us. Weather it is legal or not does not make it right. They are backing out of their agreement and that is wrong. They have already received their compensation. They need to pay back their benefits with penalties or make good of their previous deal.

Many families live in this Complex who rely on it being an Affordable dwelling. Women, children, elderly, disabled, dying, and Babies too! People who make up this community. Please help these people and vote this bill through. The Front Street Apartments were originally set up to give back to the community. What has changed in the past fifteen years I can not fathom. What ever has changed is a terrible tragedy and needs to be corrected. This is your opportunity and ours to correct this wrong doing. Please don't pass it by !!! Vote this bill through for the community and make things right!!!

Hawaii House Finance Committee
In support of Senate Bill 2293
Testimony of Reuben Pali,
April 4, 2018

Good morning, chair Sylvia Luke and Committee members. I am Reuben Pali, a native Hawaiian raised in Lahaina and a member of the Front Street Apartment Tenants Group. I support Senate Bill 2293.

My native Hawaiian ancestors — the Pali ohana can be traced back to the early 1800s on Maui. This is my home. I worked as a construction laborer for many years before a car accident happened in 2004. The accident broke my back, and doctors were doubtful that I would ever walk again. There are times when the pain is so severe I can barely walk and have to use crutches or a cane. Still, I am trying to do my best to live a productive life, although my activity is limited. I can only work a few hours. My wife Ronda suffers from Fibromyalgia. We have started an after-school music program called Maui Music Mission that involves about 25 to 30 children. Rhonda and I can play a number of instruments and also offer a class in music theory.

I am still not clear in my mind how a developer can receive several millions of dollars from Maui County in benefits and tax credits and tax exemptions by promising to keep a rents low for 50 years, then turn around and break the promise after 15 years, with no accounting of what happened and whether procedures were followed. The taxpayers of Maui County and Front Street Apartment tenants deserve answers why this has happened and haven't been getting them. At this point, I feel the state should go ahead and buy the property. We're tired of waiting. State Sen. Roz

Baker nearly got a bill through the legislature in 2017, and we're hoping negotiations this time are successful. I know people talk about the growing number of homeless on Maui, and I fear I, along with my wife Rhonda who has fibromyalgia, will be among them. I no longer have faith in the building owner. I know a lot of tenants would like to be here testifying but can't because there too sick and can't afford a airplane ticket. I'm telling you you've got to stop this eviction.

Mahalo.

Reuben M. Pali, 1401 Kenui Place, Lahaina, HI 96761, (808) 463-7856