

**BILL019(24)**  
**Testimony**

**MISC. COMM. 150**

ZONING (ZON)

## **ZONING (ZON) Meeting**

Meeting Date: Apr 3, 2024 @ 09:00 AM

Support: 2

Oppose: 0

I wish to comment: 0

Name: Gina Duncan	Email: FineIslandProperties@gmail.com	Zip: 96813
Representing: Fine Island Properties	Position: Support	Submitted: Apr 2, 2024 @ 06:19 PM

Testimony:  
Deed Restrictions

Thank you for reading my testimony. I have over 20 years in the real estate profession and have for many years advocated on the local, state and national level for sustainable housing solutions. I formed the Hawaii Aloha State Chapter of the AREAA (Asian Real Estate Association of America) whose mission is sustainable homeownership for the AANHPI communities.

I wanted to share my personal experience doing a recent affordable homes project Hale Kaiola, a Maui County Affordable "297" project with a 20 year deed restriction. The project took 10 months to sell 40 units priced well below market after construction had started.

Originally the lottery was held and 100% of the homes were taken. While under construction Interest rates rose from 3.125% range to 6.625% range an increase of 3.125% in a 10-month period. Buyers were instructed to lock in rates upon contract signing but most lenders didn't have a long-term rate program. Central Pacific Bank had the longest offered and that saved many of the contracts. CPB also had a program of lower interest for affordable homes, but the program had limited funds so after the loans were all taken it wasn't available anymore. These 2 factors enabled many Buyers to continue with their purchase. In trying to re-market the property, we had advertising, signage, and open houses.

The feedback at that time was interesting. Mortgage payment certainly was a factor. In February 2022 a 3.125% principal and interest payment would have been \$1,657.94 but in July 2023 at 6.125% the principal and interest payment was \$2,383.01. DTI (debt to income ratio) was originally 39% based on the AMI chart now went to 51%. The max DTI for conventional financing was 49%. So many buyers were now not qualified.

FHA Guidelines for attractive financing options were not available as even the federal government recognizes the need for fair equity sharing. According to HUD at least 50 percent by year 2 is required and if the program sets a maximum sales price restriction the Buyer must be permitted to retain 100% appreciation. So first time homebuyers were not able to take advantage of the 1-1.5% lower interest rates and FICO scores starting as low as 580. Buyer's objections other than financing and approximately 40% had this objection were the 20-year deed restrictions and 25% shared appreciation.

Buyers when looking at the 20yr restrictions along with resale restrictions were not happy.

Example selling after 10yr period

Sales Price 500,000

Appraisal 650,000

2 nd Appraisal 850,000

Difference 2 25% 50,000

New Sales Price 550,000

So your equity after 10 years assuming the market went up during that period would only be 50k less fees to sell averaging 5-6% for a net of \$19,750. That doesn't include your down payment and closing costs used to purchase the property so if you deduct those you would be in a deficit of \$250.00 based on 3% down plus 1% closing costs.

A simple interest-bearing account or CD of 20k in 10 years currently would have a value of \$48,234.28 at the end of 20 years at a 4.5% interest rate. Why then pay a mortgage, and maintenance fees, and not have any of the benefits of homeownership?

Some say to have fixed payments, security of home over rental where you may have to move, but missing the bigger financial security a home offers if you need to send your children to college, use equity for medical bills, prepare for retirement, etc. By not having security with a home a person can become a bigger burden on society.

Let's call affordable housing with long deed restrictions what it is "Perpetual Rental", suppression of locals in getting ahead. Look at the black history of homeownership in the US and how restrictions put

in place held a whole group of our society down and had repercussions for decades. If the intent is to help local people remain here rather than placing deed restrictions that suppress their ability to do so and are not welcomed as evidenced by Sky Ala Moana, Park on Keeaumoku and other affordable projects, then why are those laws still in place? Can't they be modified to fit the actual needs of the people? Developers are not encouraged to build if they can't once a project is completed sell it. So why should they then build other affordable projects? If locals can move to the mainland to have true homeownership that provides financial stability, then let's make laws that help our community stay here. Would 50% shared equity be a better option with a 10-year deed restriction on a sliding scale allowing for FHA financing? Would better AMI Guidelines help those move up if they are qualified by the lender instead of a chart? As you know a lot can happen to folks over 20 and 30 years. Marriage, growing a family, divorce, death, retirement, downsizing. Doesn't it make sense to help transition our people with their lives instead of hindering them?

Thank you for your efforts in homeownership. This bill is an example of a good compromise and will ensure we are helping our community.

Sincerely,  
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Name: Spencer Lee	Email: spencer.lee@cpb.bank	Zip: 96816
Representing: Self	Position: Support	Submitted: Apr 2, 2024 @ 09:14 PM

Testimony:  
Dear Council, I support bill 19 because it removes the 30 year affordability period. We have seen that the public doesn't want to buy the 30 year affordable units in The Park on Keeaumoku and Sky Ala Moana. After over a year of trying to sell those units, only a few dozen have sold. There are vacant units unsold in Sky Ala Moana. Since people generally don't want to enter into a 30 year affordability period agreement, the 30 year period shouldn't even be in any regulations. We need to craft regulations so that affordable units that the general public wants to buy are built. At the same time, it needs to pencil for developers so that they actually build the units. Thank you for the consideration. Spencer Lee