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July 22, 2020

**MEMORANDUM**

**TO:** Karen Eoff, Chair  
Hawai'i County Housing Agency  
and Hawai'i County Housing Agency Members

**FROM:** Duane Hosaka  
Housing Administrator 

**RE: QUARTERLY REPORT ON 201H APPLICATIONS PER RESOLUTION  
431-20 DIRECTING HAWAI'I COUNTY TO STRATEGICALLY ADDRESS  
ITS ESCALATING HOUSING CRISIS WITH URGENCY, DATED JULY 22,  
2020**

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The Office of Housing and Community Development (OHCD) submits their quarterly report required by Resolution 431-20 *Directing Hawai'i County to Strategically Address its Escalating Housing Crisis with Urgency*, dated 1/22/20.

The following provides an overview of all 201H applications received by OHCD as of 7/22/20:

**I. ACTIVE 201H APPLICATIONS**

1. KUAKINI HIGHWAY 75-6099 CORP.; TMK (3) 7-5-017:005

- a. Project Background and Description  
Kuakini Highway 75-6099 Corp., a California corporation (KH), proposes to develop a care campus on a 14-acre parcel in Kailua-Kona. Its principal is Byron "Blitz" Fox. "West Hawai'i Senior Living" comprises an assisted living/memory care facility for about 100 seniors; a skilled nursing facility for about 155 seniors; and in a later phase and based on water availability, employee housing.
- b. 201H Exemption Requests  
KH is asking to be exempted from performance deadlines on Ordinance 06-78 so it may move forward if it receives a certificate of need. KH is also asking for a handful of other minor exemptions based on a reconfiguration of the project to avoid flood prone areas.



c. Current status of 201H application

This application was submitted on July 17, 2020 to the County Clerk and has been agendaized for the August 4, 2020 Planning Committee hearing. Attorney Alison Davidson of JMY Group is seeking guidance from Council on how to attend this committee hearing.

d. Project History

This property was originally rezoned by Ordinance No. 06-78 for multi-family residential and given a performance deadline of ten years. Extreme economic conditions of the late 2000s prevented the townhomes from being built, and in 2013, KH purchased it, changed its proposed use and leased it to West Hawai'i Health (WH) to construct and operate the facility.

WH was granted 201H exemptions by Council Resolution No. 281-14 Draft 2 to proceed. However, the partnership fell apart and West Hawai'i Senior Living was left in limbo during ensuing litigation. By the time the case was settled the performance deadline had passed.

e. Issues and Complications

Shortly after the partnership ended, WH formed Hualālai Health (HH) and proposed "Hualālai Kai," a virtually identical assisted living/memory care facility for 96 seniors; skilled nursing facility for about 160 seniors; and 35 employee housing units. The principal of this company is Bruce Beard. WH also applied for and received 201H exemptions on TMK 7-5-010:061 through Reso. 534-16 Draft 2.

Two companies are competitors for a market share that may or may not be able to support two similar facilities. KH has funding in place but must complete its permitting in order to proceed. HH has completed its permitting but lacks funding to proceed. The proposed projects are separated by about 2,500 feet. KH has yet to be awarded a certificate of need for the project and likely will not be able to secure loans for capital equipment without it. Hualālai Health has already obtained a certificate of need.

f. OHCD Recommendation

KH has assembled a complete application, its exemption requests are reasonable. If KH receives a certificate of need, it will be free to begin construction. WH may move forward at any time if it can find an investor.

2. WEST KĀWILI STREET SENIOR/VETERAN HOUSING; TMK (3) 2-4-057:030

a. Project Background and Description

This HRS 201H application would facilitate the construction at the corner of West Kāwili and Kapi'olani a total of 92 units for seniors aged 62 and older with a preference for veterans and spouses of deceased veterans at or below the 80 percent AMI bracket.

b. 201H Exemption Requests

Exemptions requests by EAH Housing are minor in nature and consist of off-street parking and loading requirements, street frontage improvements and permitting and connection fees, including Water connection fees which are rarely waived.

c. Current Status of 201H Application

Application has completed line agency review, and OHCD has returned all comments to developer EAH Housing to discuss concerns by the agencies making comment. None of the comments appear to be "showstoppers" and are minor in nature, such as noise and dust abatement and location of a transit stop. This process should be complete by mid-August unless the developer seeks more time to work out any differences with departments. OHCD will then transmit to Finance for submission to council by the end of August. OHCD will subsidize the project with 50 project-based vouchers.

d. OHCD Recommendation

This is a well thought out project by a proven developer. The principals may still have some issues with state-level tax credit, but these are outside of the scope of the actual 201H application.

## II. SUSPENDED 201H APPLICATIONS

1. LULANA GARDENS (AINA LEA); TMK (3) 6-6-001:036

This 432-unit project has been determined by the Planning Department to be lacking HRS Chapter 343 compliance (environmental impact statement). OHCD is honoring the policy of the Office of the Mayor, which has informed owner Robert Wessels that the project cannot move forward without completion of the Chapter 343 process. A hearing in Third Circuit Court was held July 20 before Judge Robert D.S. Kim, but no decision will be made until at least mid-August.

2. HĀWĪ NANI; TMK (3) 5-5-008:076

This project in Hāwī does not meet the threshold requirement to be eligible to apply for a 201H application. It lacks enough potable water and is incompatible with HRS Chapter 205 (land is in the state agricultural district and may not be used for residential purposes). The developer has reduced the number of lots to comply with state Department of Health wastewater standards. Developer has said he will reclassify lands into the state Urban District. However, subdivision cannot be accomplished until the Water Department confirms the availability of potable water. OHCD has asked owner Mark Lester to deal directly with the Department of Water Supply as there is also a water variance on this property that must be amended in order to move forward.