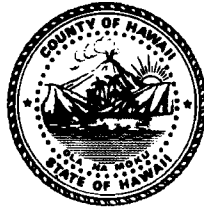


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April 22, 2020

**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 January 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 4/22/20:

**I. ACTIVE 201H APPLICATIONS**

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

Project Background and Description

Kuakini Highway 75-6099 Corp., a California corporation (KH), proposes to develop a senior rental and care campus on a 14-acre parcel in Kailua-Kona. Its principal is Byron "Blitz" Fox. "West Hawaii Senior Living" is a care campus comprising an assisted living/memory care facility for about 100 seniors; a skilled nursing facility for about 155 seniors; and employee housing, the number of which would be based on availability of water.

201H Exemption Requests

KH is asking to be exempt 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.



### Current status of 201H application

This application was submitted 11/25/19. It was reviewed by OHCD staff and returned 1/21/20 with comments and a draft resolution to company attorney Alison Davidson. The package was returned on 2/3/20 and circulated to departments for review and comment. The only substantive comments were by the Water Department regarding the expiration of its water commitment in June 2019 and required use of restricted flow fixtures. The letter was passed on to the developer and has yet to be resolved. At the same time, issues with the Covid-19 pandemic have thwarted travel by the principals, who live on the mainland. On April 22, Davidson sought information on how to physically schedule a council hearing to move this forward during or after the pandemic.

### Project History

This property was originally rezoned by Ordinance No. 06-78 for multi-family residential and given a performance deadline of 10 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.

### Issues and Complications

Shortly after the partnership ended, WH formed Hualalai Health (HH) and proposed "Hualalai 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. Hualalai Health has already obtained a certificate of need.

### OHCD Recommendation

KH has assembled a complete application, its exemption requests are reasonable and the application should be forwarded to the County Council for action once the question about water is resolved. 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. If the issue with the water commitment is not resolvable then this application does not meet the minimum threshold for health and safety.

## **II. SUSPENDED 201H APPLICATIONS**

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

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% AMI bracket. Project is temporarily suspended as developer EAH Housing does not have site control (a threshold requirement) and its application for rental housing revolving fund money has been put on hold. OHCD stands prepared to continue processing upon recordation with the Bureau of Conveyances of the ground lease by developer EAH Housing. OHCD will subsidize the project with 50 project-based vouchers.

### **2. LULANA GARDENS (AINA LEA); (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.

### **3. HAWI NANI; (3) 5-5-008:076**

This project in Hawi 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 sufficient amounts of water.