

DAVID Y. IGE
GOVERNOR



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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:

18:DEV/0101

July 5, 2018

The Honorable Mike White, Chair
County Council
County of Maui
200 South High Street
Wailuku, Hawaii 96793

RECEIVED
2018 JUL 23 PM 4:34
OFFICE OF THE
COUNTY CLERK

Dear Chair White:

Subject: Proposed 200-Unit Affordable Family Rental Project
Keawe Street Apartments at the Villages of Leiali'i
Keawe Street Extension
Lahaina, Maui, Hawaii
TMK No. (2) 4-5-021: 003 (por.)

On June 14, 2018, the Board of Directors of the Hawaii Housing Finance and Development Corporation approved the enclosed For Action for a \$5 million pre-development and interim loan from the Dwelling Unit Revolving Fund and the issuance of a request for proposals for an approximately 200-unit affordable family rental project north of the Keawe Street Extension in Lahaina, Maui, Hawaii. The project is proposed to be named, "Keawe Street Apartments at the Villages of Leiali'i."

Your support of this critically needed rental project affordable to families at 60% or below the U.S. Department of Housing and Urban Development area median income would be greatly appreciated.

GENERAL COMMUNICATION NO. 18-6

The Honorable Mike White, Chair
County Council
July 5, 2018
Page 2

Should there be any questions or comments regarding this matter, please contact Stan S. Fujimoto, Project Manager, at 587-0541.

Sincerely,



Craig K. Hirai
Executive Director

Enclosure

cc: Senator Rosalyn H. Baker, letter only
Senator Gilbert Keith-Agaran, letter only
Representative Angus L.K. McKelvey, letter only
Representative Kyle T. Yamashita, letter only

FOR ACTION

I. REQUEST

Approve: (1) a Dwelling Unit Revolving Fund Pre-Development and Interim Loan; and (2) Issuance of a Request For Proposals for a Proposed 200-Unit Affordable Family Rental Project at the Villages of Leiali'i in Lahaina, Maui, TMK No.: (2) 4-5-021: 003 (por.)

II. FACTS

Project:	Keawe Street Apartments at the Villages of Leiali'i
Address:	Lahaina, Maui, Hawaii
HHFDC Involvement:	Landowner/Lessor
Type:	Affordable Family Rental Project
Land Ownership:	HHFDC
Land Tenure:	Leasehold
No. of Units:	Approximately 200 Units
Target Market:	60% and below the HUD area median income
Acreage:	Approximately 15 Acres
TMK:	(2) 4-5-021: por. 003

- A. The Hawaii Housing Finance and Development Corporation (HHFDC) is the owner in fee simple of approximately 436 acres north of the Keawe Street Extension in Lahaina, Maui, Hawaii, TMK No. (2) 4-5-021: 003 (por.)(Property).
- B. The Property received its Urban classification from the State Land Use Commission on May 18, 1990.
- C. The Property is ceded lands.
- D. A Final Environmental Impact Statement (EIS) for the Property was published in the October 23, 2012 issue of The Environmental Notice and notice of the Governor's acceptance of the EIS was published in The Environmental Notice on December 23, 2012.
- E. On December 21, 2012, the Maui County Council included a portion of the Property into the Maui Island Plan Urban Growth Boundary and the Mayor approved the ordinance on December 28, 2012.
- F. On January 18, 2017, Belt Collins Hawaii LLC completed a site assessment for HHFDC concluding that development of a 200-unit multifamily rental project was possible at the southwest portion of the Property below elevation 130' in the vicinity of the Upper Kapunakea Houselots subdivision if the Department of Environmental Management (DEM) approved hookup to the County's sewer line and if a substation site could be conveyed to MECO, if required by MECO¹ (Site Assessment). The potential area for development is shown in the attached Exhibit A. HHFDC subsequently received a letter from DEM dated January 27, 2017 indicating that temporary hookup to the County sewer system would be possible

¹ DEM and MECO had not responded to inquiries prior to finalization of the Belt Collins' report.

for a 100% affordable project but hookup must be replaced with a private wastewater plant within 5 years of the hookup agreement.

- G. In 2018, consistent with a recommendation from the Hawaii Interagency Council for Transit-Oriented-Development, the Hawaii State Legislature appropriated \$10 million in Dwelling Unit Revolving Fund,² which includes, subject to HHFDC Board of Directors approval, \$5 million for a 200-unit multifamily rental project at the Property.
- H. The 2018 Hawaii Legislature also appropriated up to \$30 million out of the Rental Housing Revolving Fund (RHRF) for gap equity financing to expedite and complete the construction of a 200-unit multi-family rental project at the Property by 2021.³

III. DISCUSSION

- A. HHFDC proposes to issue a request for proposals (RFP) for the leasehold development of a family rental project affordable to households at 60% or below the U.S. Department of Housing and Urban Development area median income (AMI) below elevation 130' at the southwest portion of the Property in accordance with the Site Assessment (Project).
- B. To encourage developer interest due to the unusual risks in the development of this Project, and to expedite development of the Project, HHFDC would like to make available up to \$5 million of the DURF funds appropriated by the 2018 Legislature as a pre-development and interim loan to the developer of the Project, under the following conceptual terms:

- 1. Pre-Development Loan

Loan Amount: Up to \$2 million of the total interim loan

Borrower: Developer of the Project

Interest Rate: 3% per annum compounded

Loan Fee: 1 point

Loan Term: Three (3) years, with two 1-year options to extend at the sole discretion of the Executive Director, at one percent of the total loan amount per extension

Security: Irrevocable letter of credit or other security and instruments acceptable to HHFDC pursuant to Section 201H-43, HRS; non-recourse loan

Special Conditions:

- (1) The developer's overhead, project management, and developer's fee shall not be paid from the pre-development loan;
- (2) All plans, approvals and work product shall be assigned to HHFDC upon termination of the loan due to unfeasibility;
- (3) The pre-development loan will be forgiven if the Project is determined to be unfeasible due to factors beyond the control of the developer as determined by either the developer or HHFDC; and
- (4) The pre-development loan will be converted to the applicable portion of the DURF interim loan upon closing of the ground

² H.B. No. 2748, H.D. 2, S.D. 2, C.D. 1, Twenty-Ninth Legislature, 2018.

³ S.B. No. 2293, S.D. 2, H.D. 3, C.D. 1, Twenty-Ninth Legislature, 2018.

lease to the developer and all interim financing necessary to commence construction.

2. Interim Loan

Loan Amount: Up to \$5 million including the DURF pre-development loan

Borrower: Developer of the Project

Interest Rate: 3% per annum compounded

Loan Fee: 1 point

Loan Term: Three (3) years from the effective date of the pre-development loan, with two 1-year options to extend at the sole discretion of the Executive Director, at one percent of the total loan amount per extension

Collateral: Developer's leasehold interest in the Project; non-recourse loan; total debt of the Project, including the DURF loan, shall not exceed 100% of the total Project cost;⁴

Mortgage Priority: Junior mortgage; the DURF interim loan shall not be enforceable prior to the maturity date of the first-priority construction loan.

3. The DURF interim loan will be repaid by the Project's permanent financing, except to the extent allowed to be allocated to offsite infrastructure by HHFDC.

4. If approved, this For Action will be included in the RFP for the Project.

5. As of April 30, 2018, the balance of net available DURF funds is approximately \$12.5 million.⁵

C. This For Action also seeks approval to issue an RFP for the Project. Major points of the RFP are summarized as follows:

1. Objective – To procure a qualified developer for the leasehold development, financing, ownership and operation of an approximately 200-unit family rental housing project affordable to households at 60% or below the U.S. Department of Housing and Urban Development area median income (AMI) at the southwest portion of the Property.

2. Location – Below the 130' elevation at the southwest portion of the Property, in Lahaina, Maui, Hawaii, north of the Keawe Street Extension, east of the Upper Kapunakea Houselots subdivision, TMK No. (2) 4-5-021: 003 (portion of), as described in the Site Assessment included in the RFP.

3. Major Project requirements of the RFP are –

a. The developer will be responsible for all onsite and offsite costs necessary to develop and operate the Project;

⁴ Section 15-307-162(d), HAR.

⁵ On July 13, 2017, the HHFDC Board approved a preliminary commitment of funds up to \$15 million from DURF to finance the development of Phase 1 of the Alder Street project. The Legislature (SLH 2017) appropriated \$25 million for FY 2018 and (SLH 2018) appropriated \$10 million for FY 2019 to DURF. These appropriations have not been included in the total cash available.

- b. Approximately 200 units, family rental housing project affordable to families at 60% or below the AMI;
- c. Low-rise, garden-style, multi-family apartments with adjacent open parking;
- d. Permanent connection to the County sewer system shall not be allowed; the Project must include an onsite private packaged sewage treatment plant;
- e. Developer to subdivide the project boundaries as approved by HHFDC;
- f. The Project includes the development of a public road to access the Project site and other HHFDC lands, prior to dedication to the County of Maui;
- g. The Project will be owned and operated by the developer;
- h. Conveyance of the Project site will be by ground lease, 75 years, \$1.00/year;
- i. The Project shall remain affordable for the term of the ground lease;
- j. HHFDC will seek approvals for up to \$5.0 million in DURF funds for a pre-development and interim loan, and up to \$30 million in Rental Housing Revolving Fund (RHRF) funds for gap equity financing from respective funds appropriated by the 2018 Legislature; and
- k. The Project deadline for completion is December 31, 2021, unless extended by HHFDC.

4. Draft evaluation criteria are as follows –

Offeror qualifications	25 points ⁶
Project design concept and strategy	15 points
Ability to meet time and budget requirements	15 points
Number of affordable units proposed and community benefits	15 points
Financial proposal	15 points
Management proposal	<u>15 points</u>
Total	100 points

5. A preliminary timetable for the RFP is as follows:

May 2018	Prepare RFP
June 2018	HHFDC Board approval to issue RFP
July 2018	Community briefing on proposed RFP
Aug. 2018	Issue RFP
Oct. 2018	RFP deadline
Nov. 2018	Selection committee recommends a proposal and

⁶ Out of 100 points.

	developer
Jan. 2019	HHFDC Board approval of proposal, developer, and negotiation of Development Agreement
Oct. 2019	Execute Development Agreement
Dec. 2019	Developer refines plans & seeks financing
April 2020	County Council approval of 201H exemptions
April 2020	Developer submits Consolidated Application for HHFDC financing
Aug. 2020	Developer obtains HHFDC approval of financing
April 2020	Developer completes plans
April 2020	Developer applies for permits
Sept. 2020	Developer closes financing, obtains permit approvals & ground lease
Oct. 2020	Starts construction
Dec. 2021	Completes construction

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for a proposed 200-unit affordable family rental project at the Villages of Leiali'i in Lahaina, Maui, Hawaii, TMK No.: (2) 4-5-021: 003 (por.), substantially as described in this For Action:

- A. DURF interim loan of up to \$5 million, including a DURF pre-development loan of up to \$2 million;
- B. Issuance of a Request For Proposals; and
- C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Subject to the following,

- D. Governor's approval of the 2018 Legislature's appropriation of \$10 million in DURF funds and \$30 million in RHRF funds;
- E. Availability of DURF funds;
- F. Approval of release of DURF funds by the Governor;
- G. Approval as to form of applicable documents by the Department of Attorney General and execution by the Executive Director; and
- H. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Attachments: Exhibit A –Area Map with Overlays

Prepared by: Stan S. Fujimoto, Project Manager

SR

Reviewed by: Richard K. Prahler, Development Branch Chief

RP

Approved by The Board of Directors at its meeting

on JUN 14 2018

DEVELOPMENT BRANCH

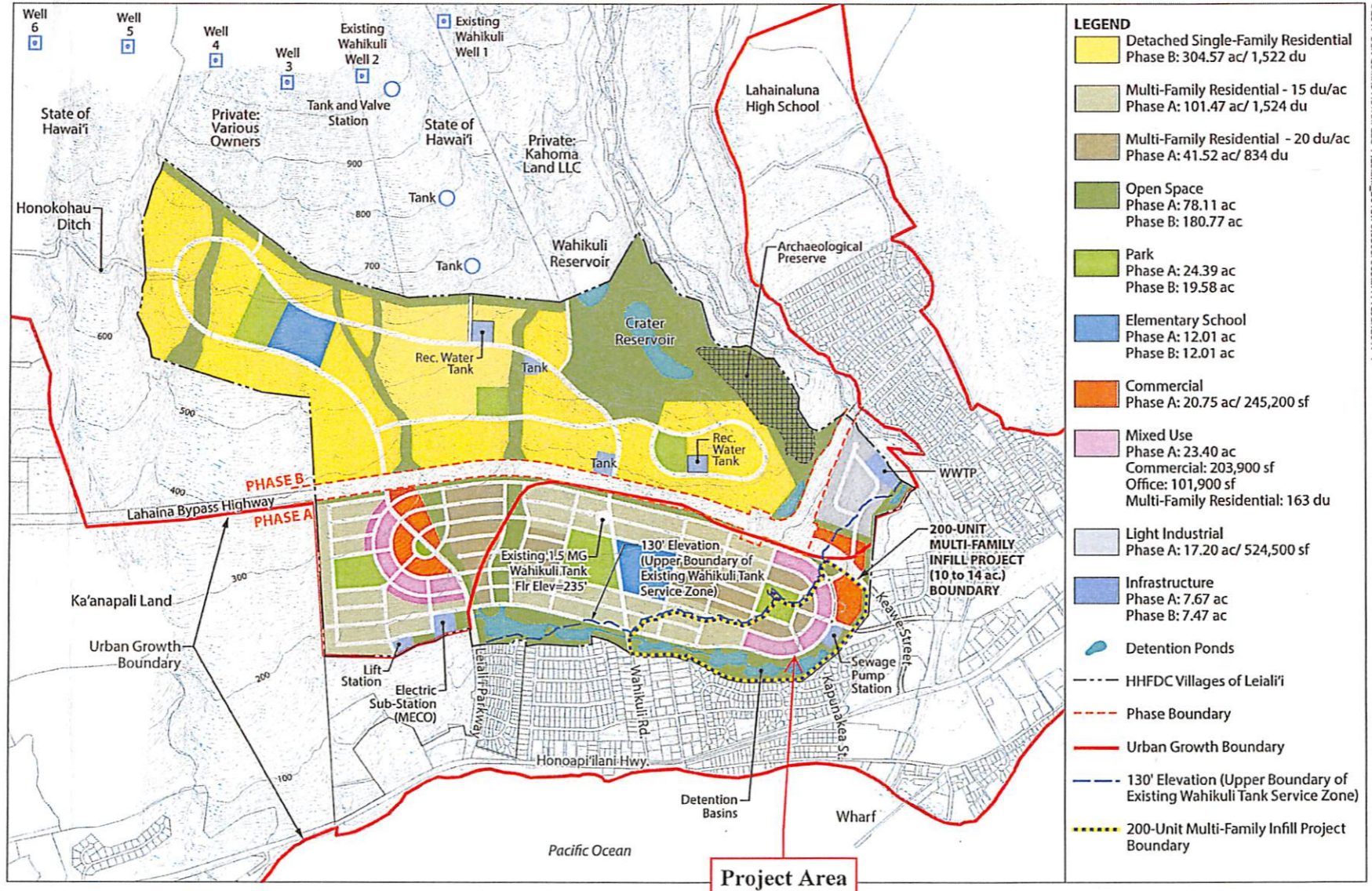
For Action – June 14, 2018

Please take necessary action.

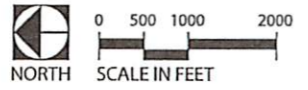
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EXECUTIVE DIRECTOR

EXHIBIT A



©2017 Belt Collins Hawaii LLC. Plan#HLI_2013-70-0500-003a1 A 16Jan2017 4



Note: Lot lines shown are approximate and for illustrative purposes. Imagery is from Google Earth Pro and is approximately matched to lot lines.

FIGURE 2
LAND USE PLAN CONCEPT TWO

Villages of Leialii
200-Unit Multi-Family Infill Project
January 2017