



DEPARTMENT OF
HOUSING AND HUMAN CONCERNS
COUNTY OF MAUI

ALAN M. ARAKAWA
Mayor

CAROL K. REIMANN
Director

JAN SHISHIDO
Deputy Director

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June 21, 2016

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

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

APPROVED FOR TRANSMITTAL

Alan Arakawa 6/24/16
Mayor Date

RECEIVED
2016 JUN 24 AM 9:43
OFFICE OF THE
COUNTY CLERK

Dear Chair White and Members:

**SUBJECT: LOW INCOME HOUSING TAX CREDIT PROJECT FOR SALE
UNDER A QUALIFIED CONTRACT REQUEST IN ACCORDANCE
WITH SECTION 42 (h) (6) OF THE INTERNAL REVENUE CODE -
FRONT STREET APARTMENTS**

Attached you will find a document entitled "Low Income Housing Tax Credit Project for Sale under a Qualified Contract Request in Accordance with Section 42 (h) (6) of the Internal Revenue Code." The document details the sale of Front Street Apartments which includes a total of 142 units - 70 of which are rented at 50% of Area Median Income (AMI) and 71 of which are rented at 60% of AMI. These represent HUD's "Low" and "Very Low" income levels.

The project was originally built utilizing Low Income Housing Tax Credits. While the low income cap on the rent is for 50 years, after 15 years the fee owner has the option to sell. If the project is unable to sell at the "Qualified Contract Price" (\$15,395,813) within the Qualified Contract Period (which ends on August 4, 2016), then they are able to go to market. If a sale occurs at market, then the rent caps will be voided after 3 years from the date of sale.

While we received this document two weeks ago, we needed to have additional information from the seller before transmitting it to you. After much effort, we were finally able to speak to the owner's representative yesterday. The representative indicated that they are financially motivated to go to market, as the project was difficult to pencil out

Honorable Mike White, Chair
and Members of the Maui County Council
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given increased lease rents and low rental income. However, they did indicate that they may be interested in keeping a portion or all at affordable HUD rental limits. We are currently awaiting to hear back from the owners.

I would like to request that this matter be referred to the appropriate Council committee for review.

Thank you for the opportunity to share this information. Should you have any questions, please feel free to contact me at Ext. 7805.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carol K. Reimann', with a stylized, flowing script.

CAROL K. REIMANN
Director of Housing and Human Concerns

Attachment

xc: Buddy Almeida, Housing Division
Jeffrey Ueoka, Deputy Corporation Counsel

**Low Income Housing Tax Credit Project for Sale under a Qualified Contract
Request in Accordance with Section 42 (h) (6) of the Internal Revenue Code**

Project Information and Summary:

| | |
|--|---|
| Project Name: | Front Street Apartments |
| Location: | 2001 Kenui Place aka 1056 Front Street Lahaina, HI 96761 |
| TMK: | (2) 4-5-003-013 |
| Project Owner: | Front Street Affordable Housing Partners, L.P. |
| Land Tenure: | Leasehold Fee Owner: 3900 Corp |
| Qualified Contract Period Expiration | August 4, 2016 |
| Qualified Contract Price: (As of December 31, 2014) | \$15,395,813 |
| Appraised Value (as of July 22, 2015) | \$8,710,000 |
| Units | 142 Units |
| Affordability Breakdown: | 70 Units at 50% Area Median Gross Income ("AMGI") 71 Units at 60% AMGI 1 Manager's Unit |
| Affordability Commitment: | <ul style="list-style-type: none"> • Low Income Housing Tax Credit ("LIHTC") Program • Affordability governed by a LIHTC Declaration of Restrictive Covenants dated August 9, 2002 • Affordability Commitment Expires on December 31, 2051 |

In accordance with Section 42 (h) (6) of the Internal Revenue Code ("IRC") Hawaii Housing Finance and Development Corporation ("HHFDC"), on behalf of Front Street Affordable Housing Partners, L.P., is seeking a purchaser for the Front Street Apartments ("Project") under a Qualified Contract Request.

Pursuant to the IRC, a Qualified Contract is a contract to acquire the non-low-income portion of the building for a fair market value and the low-income portion of the building for an amount not less than the Project's applicable fraction multiplied by:

1. The outstanding indebtedness secured by, or with respect to, the building; plus
2. The adjusted investor equity in the building; plus
3. Other capital contributions not reflected in the foregoing; less Cash distributions from (or available for distribution from) the Project.

The Project's minimum Qualified Contract Price as of December 31, 2014 is \$15,395,813. In addition to meeting the minimum Qualified Contract Price, the buyer must continue to operate the low-income portion of the building as "a qualified low-income building" in accordance with the IRC.

A prospective buyer wishing to purchase the Project, at no less than the Qualified Contract Price, is responsible for preparing and submitting a Qualified Contract to the Owner and a copy to HHFDC. The Qualified Contract must only clearly state the intent of the buyer to purchase the Project from the Owner **at no less than the Qualified Contract price**. Outside of the

Qualified Contract, the prospective buyer and the Owner must negotiate all other terms and conditions of the Project sale. Accordingly, despite the presentation to the Owner of a Qualified Contract, the Project is still contingent upon negotiation of other mutually agreeable terms and conditions.

In accordance with HHFDC's Qualified Allocation Plan, the following information is available through HHFDC for prospective buyers of the Project:

- a. copies of annual audited project financial statement for all years;
- b. copies of loan documents for all secured debt during the compliance period;
- c. copies of partnership agreement (original, current and all interim amendments);
- d. current title report (no more than 60 days old from the date of Qualified Contract Application);
- e. a physical needs assessment for the entire project (no more than 60 days from the date of Qualified Contract Application);
- f. an appraisal prepared by a qualified third party appraiser for the entire project (no more than 60 days from the Qualified Contract Application);
- g. a Phase I environmental report (no more than 60 days from the Qualified Contract Application); and
- h. other relevant documents.

HHFDC makes no representations or warranties about the Project, the property, any improvements thereon, or any information related to the Project that the Owner provided or prepared. All parties interested in entering into a Qualified Contract for the Project are responsible for their own research, due diligence, underwriting, and inspections.

HHFDC makes no representations regarding the availability or use of any financing resources that it administers to purchase the Project. Any party interested in using any financing program administered by HHFDC for the Project are subject to the same application, underwriting, and approval process as any other applicant.

HHFDC shall not be responsible for the payment of a real estate commission or other fees related to the sale of the Project.

Interested parties may contact the following HHFDC personnel regarding a Qualified Contract for the Project:

- Patrick Inouye – (808) 587-0797
- Jocelyn Iwamasa – (808) 587-0576
- Dean Sakata – (808) 587-0575