



PARUS

Permanently Affordable Rental Unit Strategy

A Briefing for Maui County Council Housing Committee

HCDC – a Nonprofit



- Founded in 2009 – 15-Year Old Community Development Corporation
 - Governed by a Statewide Volunteer Board
 - Oahu: Iwalani McBrayer, Kaupea
 - Maui/Lanai: Daniel Ornellas, Waiehu Kou
 - Kauai: Liberta Albao, AHHL Waitlist
 - Molokai: Kammy Purdy, Hoolehua
 - Hawaii: Maile Luuwai, Panaewa Keaukaha Farmers
 - Staff on Maui, Kauai & Oahu – on Molokai by May 2024
 - Purpose: *Affordable Housing, Economic Development & Community Capacity*
 - 2 Sister Nonprofits: Hawaiian Lending & Investments – Access to Capital
TiLeaf Group – Public Policy, Subject Matter Expertise



PARUS Initiative by Hawaiians for Hawaii

- **Permanently Affordable Rental Unit Strategy -- PARUS**

- Adopted by native Hawaiian HCDC Board in 2021
- Kuleana to Do What Can, to Contribute Solutions to Lack of Affordable Inventory
- Systematically Add Rental Housing for Local Low-Income Hawaii Citizens

- Two Key Strategies for Hawaii

1. Build Build Build...Affordable Housing (Rentals/Homeownership) Timeline Depends
2. Buy Existing and Convert to....Affordable Housing (Rentals) Timeline 60/90 Days

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- Nonprofit Eco-System for Permanently Affordable Rentals

- Accountable to Affordability Mission - No Shareholders...Governed by Community
- Organize Mix of Capital.....to Achieve Affordability Permanently

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- **Permanently Affordable Rental Unit Strategy -- PARUS**

2. Buy Existing and Convert to....Affordable Housing (Rentals)....**Permanently**

- Intercede into the Cycle of Privately Owned Existing Residential Properties

- When Homes are Privately Owned.....Seek Maximum Revenue, Hence Existing Properties are Typically Bought and Sold from Private Hands to Private Hands, and Don't Typically Contribute to Affordable Housing Inventory

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- PARUS – Residential Properties are Nonprofit Owned

- HCDC Executing Purchase of Existing Residential Properties
 - Methodically, One by One, to Convert to Permanently Affordable
 - One Twist.....for Maui.....first 3 years for Lahaina crisis needs, then...to permanently affordable

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- **Permanently Affordable Rental Unit Strategy -- PARUS**

2. Buy Existing and Convert to...Affordable Housing (Rentals)...**Permanently**

- HCDC Organizes a Mix of Capital Sources = Permanently Affordable
 - Government Can't be the Only Source – Not Sustainable
 - Philanthropy Can't be the Only Source – Not Sustainable
 - Banks & Lenders Can't be the Only Source – Difficult to Produce Affordability

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- Capital Stack Framework for Permanently Affordable – **PRE 2022 Rates**

- A. **60%** Loan Capital (based on int rates)

Banks, Lenders

- B. **30%** Government Subsidy Capital

County, State, Federal

- C. **10%** Philanthropy / Nonprofit Capital

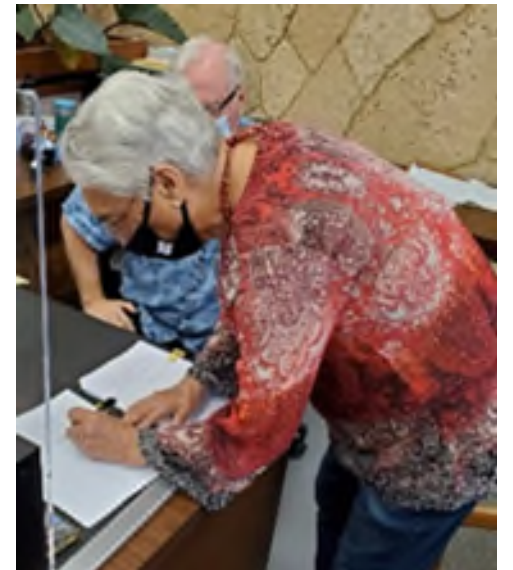
Foundation/Nonprofits

Permanently Affordable Rental Unit Strategy

- 2021, First Opportunity to Execute PARUS on Kauai
 - 6 Units on the market by a private investor/owner
 - HCDC Goal: Purchase Existing for Affordability at 80% AMI Rental Rates
- Closed 2022 – at Halenani Street Acquired From Investor Seller

First Hwn Bank Loan:	61%	Maximum to Keep Rents Affordable
Govt Subsidy:	31%	To Keep Debt Level Down
<u>Nonprofit Unrestricted Cash:</u>	<u>8%</u>	
Total Purchase + Closing Costs	100%	

Today: Units Rent as Low as 50% AMI Rental Rates



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- Permanently Affordable Rental Unit Strategy – PARUS on Maui Today

- 2. Buy Existing and Convert to...Affordable Housing (Rentals)...Permanently

- Capital Stack Framework for Permanently Affordable – PRE 2022 Rates
 - A. 60% Loan Capital (based on int rates) Banks, Lenders
 - B. 30% Government Subsidy Capital County, State, Federal
 - C. 10% Philanthropy / Nonprofit Capital Foundation/Nonprofits
- Capital Stack Framework for Permanently Affordable – 2023/2024 Rates
 - A. 40% Loan Capital (based on int rates) Banks, Lenders
 - B. 30% Government Subsidy Capital County, State, Federal
 - C. 30% Philanthropy / Nonprofit Capital Foundation/Nonprofits

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- Capital Stack Framework for Permanently Affordable – Ex: \$1M Purchase
 - A. 40% Loan Capital (based on int rates) \$400k Banks, Lenders
 - B. 30% Government Subsidy Capital \$300k County, State, Federal
 - C. 30% Philanthropy / Nonprofit Capital \$300k Foundation/Nonprofits



Wailuku, Maui

Closed February 2024 for Lahaina Family Occupancy

8 Bedrooms – 4 Bath

Then by June 2026 – Take Out Capital Stack

Transition to Permanently Affordable at 80% AMI



Kihei, Maui

**Scheduled to Close March 2024 for Lahaina Family Occupancy
Two 3-Bedrm Homes, One 2-Bedrm Home + Studio ADU
Then by June 2026 – Take Out Capital Stack**

Transition to Permanently Affordable at 80% AMI

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- **Permanently Affordable Rental Unit Strategy -- PARUS on Maui Today**
 - 2. Buy Existing and Convert to...Affordable Housing (Rentals)...**Permanently**
- Components to Interrupt Residential Properties from Cycle of High Rents
 1. An Interim Acquisition Lender (To Compete with Private Buyers)
 2. Organize the Take-Out Capital Stack with a Mix of Govt & Philanthropy
 3. Conform to Lender Debt Coverage Terms (80% AMI/NOI = 1.20 Loan Payment)

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- Maui - Next is Take Out Capital Stack for Permanently Affordable – **\$3.4M**

- | | | |
|---|---------------|------------------------|
| A. 40% Loan Capital (based on int rates) | \$1.4M | Banks, Lenders |
| B. 30% Government Subsidy Capital | \$1.0M | County, State, Federal |
| C. 30% Philanthropy / Nonprofit Capital | \$1.0M | Foundation/Nonprofits |

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- Annual Goal for Maui Permanently Affordable Rental Units **\$10M 25 Units**

- | | | |
|---|---------------|------------------------|
| A. 40% Loan Capital (based on int rates) | \$4.0M | Banks, Lenders |
| B. 30% Government Subsidy Capital | \$3.0M | County, State, Federal |
| C. 30% Philanthropy / Nonprofit Capital | \$3.0M | Foundation/Nonprofits |

Mahalo!

