

HAWAII HOUSING FINANCE & DEVELOPMENT CORPORATION



2 0 1 0 A N N U A L R E P O R T





THE HONORABLE NEIL ABERCROMBIE, GOVERNOR , STATE OF HAWAII



Dear Governor Abercrombie,

This past year has brought many challenges for the HHFDC, but it has also served to strengthen the resolve of our staff, development partners and board to find new solutions. In fiscal year 2010, we were able to deliver 342 housing units to the inventory of affordable housing while managing assets in excess of \$1 billion. In 2011, there are approximately 864 units planned for completion as we stay on course toward our production plan to assist in over 5,000 affordable units delivered over the next five years.

ECONOMY AND JOBS

The HHFDC was successful in obtaining and utilizing federal dollars to save and create jobs to help strengthen our economy.

- \$19.6 million in Neighborhood Stabilization Program funds to mitigate the effects of the housing market collapse to communities hit the hardest.
- \$9.8 million in Tax Credit Assistance Program funds to fill gaps in projects using Low- Income Housing Tax Credits.
- \$47.8 million in Section 1602 grants to assist stalled Low-Income Housing Tax Credit projects.

In all, \$77 million in federal funds will result in 1,081 additional affordable units to help invest in the health and wealth of working families in Hawaii.

INVESTING IN HAWAII'S FAMILIES

The HHFDC's single-family programs focus on helping lower, moderate and middle income families build financial assets by making home ownership more attainable. As of June 30, 2010, the Hula-Mae Single Family Program has assisted 10,025 homebuyers with below-market rate mortgages and the Mortgage Credit Certificate Program has assisted 1,692 families with federal tax credits.

THE MISSION OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION IS TO INCREASE AND PRESERVE THE SUPPLY OF WORKFORCE AND AFFORDABLE HOUSING STATEWIDE BY PROVIDING LEADERSHIP, TOOLS, AND RESOURCES TO FACILITATE HOUSING DEVELOPMENT.

SUSTAINABLE BUILDING

The HHFDC is also assisting the state’s efforts to reduce our dependency on fossil fuels by encouraging energy and water efficient development as a step towards providing a cleaner, more sustainable and secure energy future for generations to come. Future Master-Planned communities incorporate design concepts to encourage walking, bicycling, carpooling and mass transit options to transportation.

While these new programs continuously evolve, the HHFDC continues its efforts to offer innovative financing and development tools to the private and nonprofit developers with which it collaborates.

While economics, guidelines and methods may change, the HHFDC will continue to seek long-term sustainable solutions to meeting our affordable housing goals and capitalize on opportunities that will benefit future generations in Hawaii.



A handwritten signature in black ink that reads "Karen Seddon".

KAREN SEDDON
Executive Director



A handwritten signature in black ink that reads "David Lawrence".

DAVID LAWRENCE
Chairman



Nohona at Kapolei Grand opening and blessing for Nohona at Kapolei, a partnership with Castle & Cooke Homes Hawaii, Inc.

LEGISLATIVE HISTORY

The Hawai'i Housing Finance and Development Corporation was created to focus on the financing and development of affordable housing.

In 1997, the Legislature established the Housing and Community Development Corporation of Hawai'i (HCDCH) by consolidating the the Hawai'i Housing Authority, the Housing Finance and Development Corporation and Rental Housing Trust Fund Commission. The HCDCH administered the state's public housing, homeless assistance, housing finance and housing development programs.

In 2005, the Legislature found that "the burden of administering the public housing projects in the State has overshadowed the ability of the corporation to pay sufficient attention to the financing and development of affordable housing." Therefore, Act 196 of 2005, as amended by Act 180 of 2006, separated the housing financing and development functions from the HCDCH to create the Hawai'i Housing Finance and Development Corporation.

FIVE-YEAR PRODUCTION PLAN

The HHFDC has a production plan in place to assist in the finance and development of over 5,000 affordable units over the next five years.

Fiscal Years	Current	Pipeline	Projected	Total
2011	864	0	0	864
2012	1,147	0	0	1,147
2013	610	337	375	1,322
2014	689	117	400	1,206
2015	491	100	425	1,016
Total	3801	554	1200	5555

ORGANIZATIONAL STRUCTURE

The HHFDC is administratively attached to the Department of Business, Economic Development and Tourism. It is governed by a nine-member Board of Directors which establishes policies and executive direction for the Corporation.

Six members are appointed by the Governor from each of the counties of Honolulu, Hawai'i, Maui and Kauai. At least four of which must have knowledge and expertise in public or private financing and development of affordable housing, and one of which is a representative for a low-income private nonprofit organization. The three ex-officio members are the Director of Business, Economic Development and Tourism, the Director of Finance, and a representative of the Governor's office.



Hale Wai Vista I HHFDC provided Rental Housing Trust Funds, federal and state Low Income Housing Tax Credits and Tax Credit Assistance Program funds to Nonprofit developer, Hawaii Housing Development Corporation for the construction of 84 two- and three-bedroom family units located in Waianae.



DEVELOPMENT RESOURCES

The HHFDC has a toolbox of resources to facilitate the development of affordable rental or for-sale housing including financing, expedited land use approvals under Chapter 201H, Hawaii Revised Statutes, exemptions from general excise taxes, and real property.

FINANCING TOOLS FOR DEVELOPMENT

Low Income Housing Tax Credits (LIHTC)

The LIHTC program is a major financing tool for non-profit and for-profit developers to construct or rehabilitate affordable rental housing. Under the program, HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset (tax credit) in income tax liability for 10 years or may be syndicated to generate substantial project equity. There are two types of federal tax credits: 9% competitive tax credits, which are applied against the State of Hawaii's annual LIHTC allocation and 4% non-competitive, which are awarded with tax-exempt bond financing. Approximately \$2.72 million in federal and \$1.36 million in state tax credits may be awarded each year.

Tax Credit Assistance Program (TCAP)

TCAP was established by the American Recovery and Reinvestment Act of 2009 (ARRA), which was signed into law by President Obama on February 17, 2009. TCAP is intended to provide gap capital investment in LIHTC projects that are negatively impacted by the deterioration in the financial markets. TCAP is administered by the U. S. Department of Housing and

Urban Development (HUD). Hawaii was awarded \$9,861,610 in TCAP appropriations.

Section 1602 Program

The Section 1602 Program, also established by the ARRA, allows housing credit agencies such as the HHFDC to exchange Federal LIHTC with the U. S. Department of the Treasury for direct funds for an eventual subaward to qualified affordable housing projects to finance construction or acquisition/rehabilitation. The intent of the Section 1602 Program is to assist stalled LIHTC projects and stimulate spending and development of projects that are "shovel ready". HHFDC received approvals from the U.S. Department of the Treasury to exchange \$5,627,194 in unused Federal LIHTCs for a total of \$47,831,149 in Section 1602 Grants.

Rental Assistance Revolving Fund (RARF)

The RARF Interim Construction Loan Program provides below market interest rate interim construction loans for affordable rental housing projects (currently 4-5%), as well as a limited amount of project-based rental assistance subsidies to qualified owners of rental projects. The RARF program is authorized to loan up to an aggregate of \$11.5 million.



Franciscan Vistas Ewa The HHFDC provided tax-exempt revenue bonds, federal and state Low Income Housing Tax Credits, Rental Housing Trust Fund gap equity loans and federal Neighborhood Stabilization funds for the 150 one-, two- and three-bedroom senior rental project. Construction is estimated to be completed in mid 2011.

Rental Housing Trust Fund (RHTF)

The RHTF provides equity gap low-interest loans or grants to qualified owners and developers for the development, pre-development, construction, acquisition or preservation of affordable rental housing. Preference is given to projects that meet certain statutory criteria. Included is a preference for projects that provide at least 5 percent of the total number of units for persons and families with incomes at or below 30 percent of the median family income. Another preference is projects that provide the maximum number of units for persons or families with incomes at or below 80 percent of the area median family income. The RHTF is funded with 25% of conveyance tax revenues, as well as legislative appropriations.

Hula Mae Multi-Family Revenue Bond Program

The Hula Mae Multi-Family program provides low interest rate financing through the issuance of tax-exempt revenue bonds for the construction and/or acquisition and rehabilitation of rental housing projects. Developers are able to secure 4% non-competitive low income housing tax credits in conjunction with the Hula Mae multi-family financing. The HHFDC, with the approval of the Governor, is authorized to issue up to \$500 million in revenue bonds. As of June 30, 2010, the program has issued 10 series of bonds, including one refunding series, totaling \$188,598,000.

Hawaii Rental Housing System Revenue Bond (HRHSR)

This program was developed to alleviate the shortage of available rental housing opportunities through the development and acquisition of affordable rental housing projects throughout the State. The HRHSR provides tax-exempt bond financing for HHFDC-owned affordable rental projects that provide at least 60 percent of the rental units for tenants earning 80 percent and below the median family income (40 percent of the units may be rented at market rents). There are currently 6 projects consisting of 1,220 units on Oahu, Hawaii and Maui. Bond authority under the program is \$375 million.

Dwelling Unit Revolving Fund (DURF)

DURF was established pursuant to Act 105, SLH 1970 which authorized the issuance of \$125,000,000 of general obligation bonds to carry out the purposes of the Housing Development Program. Funds may be used for the acquisition of real property; development and construction of residential, commercial and industrial properties; interim and permanent loans to developers; and any and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses.

Federal Funds

Home Investment Partnerships Program (HOME)

The HHFDC administers the federal HOME program which is intended to expand the supply of decent, safe, affordable and sanitary housing. HOME funds may be used for a variety of activities including tenant-based rental assistance, down payment loans for first-time homebuyers, rehabilitation loans for existing homeowners, property acquisition, new construction, reconstruction, moderate or substantial rehabilitation, site improvements, demolition, relocation expenses, loan guarantees, and other reasonable and necessary expenses related to development of affordable housing. The HHFDC receives approximately \$3 million in HOME funds from HUD each year. Funds are equally allocated to the Counties of Hawaii, Kauai and Maui.

Neighborhood Stabilization Program (NSP)

The NSP was authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008 to mitigate the impacts of the housing market collapse by helping to stabilize communities hit the hardest. HHFDC was awarded \$19,600,000 in NSP Round 1 funds and will apply for additional \$5,000,000 in funding Round 3.



The Villas at A'eloā A 72-unit affordable tax-credit rental project on approximately 3.5 acres in Village 2 of the Villages of Kapolei. The HHFDC executed a 58-year lease to Kapolei Pacific Limited Partnership.

DEVELOPMENT TOOLS

Real Property

A portfolio of property acquired by negotiation, exchange, or purchase, is made available to developers through the Request for Proposals (RFP) process. Each real property parcel is evaluated for "highest and best use" in relation to the HHFDC working mission and strategies and then an RFP is framed for flexibility to assure that different developer specialties and concentrations can be accommodated.

For the developer, the RFP process starts when an advertisement is placed in the newspaper with information that a certain real property is available for development. The actual RFP with relevant criteria is made available for review or purchase at the HHFDC. When the completed proposals are received on the given date in the RFP, a selection committee reviews the proposals for compliance with the RFP and a developer is preliminarily selected, subject to approval by the HHFDC Board of Directors. Developer approval is followed with negotiation of development and loan agreements.

Chapter 201H Expedited Processing

Pursuant to Chapter 201H, Hawai'i Revised Statutes, the HHFDC may develop, on behalf of the State or with an eligible developer, or may assist under a governmental assistance program in the development of, housing projects which are exempt

from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon provided that the project meets specific requirements.

Chapter 201H also provides for greater flexibility in the design of housing projects. The particular exemptions requested through the 201H process are reviewed by the appropriate county agencies. Previous 201H project exemptions have included zone changes, increased height limits, fewer parking spaces, smaller lot sizes, reduced road widths and waiver of certain development fees.

Developers are encouraged to begin the 201H process by first contacting the appropriate county. If the county government does not accept the developer's 201H application, due to different affordable housing requirements, the HHFDC will consider the developer's application. The HHFDC requires that the developer conduct at least one public meeting to solicit community input on the proposed project prior to application submittal.

General Excise Tax Exemptions

The HHFDC may approve and certify for exemption from GET any qualified person or firm involved with an "eligible project".



Senior Residence at Kapolei A 60-unit affordable rental project in the Villages of Kapolei. HHFDC executed a 75-year lease along with a Rental Housing Trust Fund loan with the Pacific Housing Assistance Corporation Kapolei Residence.



Kealakai at Kapolei 140-unit fee-simple condominium project of eighteen two-story buildings having one-, two- and three-bedroom floor plans with up to 911 square feet of living space. Prices start at \$233k for the project, which is targeted towards career-minded singles and young families at or below 140% of the area median gross income.

LAND PROGRAMS

Chapter 516, Hawai'i Revised Statutes, also referred to as the Land Reform Act of 1967, was enacted to encourage widespread ownership of fee simple lands among Hawai'i's people. The HHFDC, as the designated agency to administer the program, has assisted over 14,600 lessees in acquiring the leased fee interest in their residential house lots. Under the Act, lessees of single family residential house lots may petition the State to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since much of the leasehold single-family residential lands have been converted to fee, the HHFDC's recent role has been to provide information and assistance regarding the lease to fee conversion process and to promote negotiated settlements as it will greatly reduce conversion costs.

Chapter 519, Hawai'i Revised Statutes, also referred to as the Lease Rent Renegotiation Program, assists lessees and lessors who are unable to agree on the new lease rent upon the expiration of the fixed rent term of the lease. The program provides an initial alternative to the costly arbitration process provided in the lease for one or two-family residential leasehold lots or cooperative housing corporations.

SINGLE FAMILY PROGRAMS FOR FIRST-TIME HOMEBUYERS

The HHFDC's single-family programs are consumer oriented, providing below-market rate mortgage financing, tax credits, and down payment loans to assist eligible first-time homebuyers.

Hula Mae Single Family Program

This program offers eligible first-time homebuyers with mortgage financing at below-market interest rates. Since 1979, the Program issued over \$1,771 billion of Single Family Mortgage Purchase Revenue Bonds. Borrowers apply directly with participating lending institutions and must meet federal eligibility requirements including income and purchase price limitations, as well as the three year no prior ownership interest in a principal residence requirement. As of June 30, 2010, 10,025 first-time homebuyers were assisted.

Mortgage Credit Certificate (MCC) Program

The Mortgage Credit Certificate provides first-time homebuyers with a direct tax credit against their federal income tax liability to make more money available to qualify for a mortgage loan and make monthly payments. The amount of the credit is equivalent to 20 percent of the annual interest paid on a mortgage loan. MCCs are offered through participating lenders. As of June 30, 2010, the HHFDC has traded in approximately \$393.44 million of mortgage revenue bond authority for just over \$98.36 million in MCC authority to assist 1,692 families in purchasing their first home.

National Mortgage Mitigation Counseling (NFMC)

The NFMC program provides federal funding to assist homeowners at risk of mortgage foreclosure. To date, HHFDC was awarded \$716,036 for counseling, program support, and operational oversight. Approximately 1,667 homeowners received counseling from our nonprofit partners. Additionally, 180 homeowners received legal assistance through a \$100,000 grant.



Kahului Town Terrace 72-unit preservation in Kahului, Maui financed with a combination of State and Federal Low-Income Housing Tax Credits, Hula Mae Multi-Family and Rental Housing Trust Fund Loans administered by the HHFDC.



Kamakana Villages at Keahuolu Artist's rendering of greenway along walking paths.

CURRENT PROJECTS

Kamakana at Keahuolu – Master-planned community on 272 acres of non-ceded land in Keahuolu, Kailua-Kona, Hawai'i. Approximately 1,169 units of the total projected 2,330 will be workforce and affordable.

Halekauwila Place – 204-unit affordable family rental housing project in Kakaako. Units are targeted to families earning 80% to 140% of AMGI. Project is estimated to start in second quarter of 2011 and completed in third quarter of 2012.

Villages of Leiali'i – Master planned community located on 1,128 acres of State land in Lahaina, Maui, Hawai'i. In May 7, 2007, the HHFDC approved DURF budget of \$1 million to update the master plan and EIS for the project.

Ewa Villages, Phase I – 64-unit, one-to-three bedroom rental project targeted at households earning 30% - 60% of AMGI located in Ewa Beach. Construction is estimated to start in March 2011 with the first building placed in service in June 2012.

Franciscan Vistas Ewa – 149-unit independent senior living community will be comprised of six two-story buildings, each with 24 apartments. HHFDC contributed funds from state and federal Low-Income Housing Tax Credits, Hula Mae Multi Family Bonds, and a Rental Housing Finance Loan and grant.

Green Homes at Lualualei – 25-unit affordable, for-sale project located in Waianae, Oahu. In an effort to combine a sustainable approach to building and living affordably, Green Homes in Lualualei will conserve energy through its design, energy-efficient appliances and utilize solar technology.

Hale Wai Vista II – 216 family rental project in Waianae, Oahu. HHFDC providing Low Income Housing Tax Credits and Rental Housing Trust Fund gap equity loan. Targeted for completion in mid 2011.



Ko'oloa'ula Phase I | 120-unit affordable family rental project in Kapolei

Ko'oloa'ula Phase I – 120-unit rental project in Kapolei. The ten three-story townhome rental is targeted at families earning 30% to 60% of AMGI and will remain affordable for 63 years.



Holomua 176-unit affordable for-sale condominium project in the urban core.

Holomua – 176-unit affordable for-sale condo in the urban core. Units are targeted to families earning 140% and below of AMGI. Estimated project completion date is fourth quarter of 2012.

Hale Mohalu II – 322 rental units in Pearl City. The master planned project consists of a 164-unit senior project and a future 168-unit family rental housing project on approximately 4.7 acres of state land.

Nohona II at Kapolei – The 118-unit fee simple town home collaboration with Castle & Cooke Homes Hawaii, Inc. offers two- and three-bedroom floorplans up to 1,680 sq. ft.

Hale Makana `O Nanakuli – 48 one-, two- and three-bedroom family rentals in Nanakuli. HHFDC has financing commitments for tax-exempt revenue bonds, federal and state Low Income Housing Tax Credits and a Rental Housing Trust Fund loan.

Puukolii I and II – Approximately 100 rental units and 397 for-sale units in West Maui. HHFDC assisting with land use and zoning approvals.

Senior Residence at Iwilei – 160-unit affordable senior rental. The new construction located in the urban core includes partial HHFDC financing in the form of Low-Income Housing Tax Credits, Hula Mae-Multi Family Bonds and a Dwelling Unit Revolving Fund Loan.

Seawinds Apartments - 50 unit affordable rental project on vacant state land of which NSP funds will be used to construct 20 studio units for families whose incomes do not exceed 50% of area median income.

Kaloko Housing Program - 96 unit multi-family project of which NSP funds will be used for the development of eight affordable rental units in West Hawaii.

Honokowai Villa Apartments- Acquisition/rehabilitation that will preserve 56 units for families earning 30% - 50% of area median income in Lahaina, Maui.

Villas at Maluohai - 72-unit affordable rental for families whose incomes do not exceed 60% in Kapolei, Oahu.

Hale Ohana Apartments - Acquisition/rehabilitation that will preserve 48 units for families earning 30% - 50% of area median income in Koloa, Kauai.



Senior Residence at Iwilei 160-unit affordable rental project in Iwilei is targeted for those at 60% and below HUD AMI.

HHFDC LEGISLATION PASSED IN 2010

Act 26, Session Laws of Hawaii 2010 (Senate Bill 2111) Relating to Affordable Housing

This Act, an Administration bill, shortens the time period within which counties may accept or reject requests for dedication of infrastructure for affordable housing to sixty days, commencing upon receipt by the appropriate county council of a complete application for dedication request, and subject to certain conditions.

Act 174, Session Laws of Hawaii 2010 (House Bill 2845) Relating to Lands Controlled by the State

This Act exempts the fee-simple resale of affordable homes on public lands that are not ceded lands that are repurchased or foreclosed on by the Hawaii Housing Finance and Development Corporation, from legislative approval requirements.

The following Concurrent Resolutions approving the fee simple sale of HHFDC lands were adopted.

House Concurrent Resolution 21, S.D. I Approving The Fee Simple Sale Of 1593 Papau Street, Kapaa, Hawaii

House Concurrent Resolution 22, S.D. I Approving the Fee Simple Sale of 1951 Pahoehoe Street, Koloa, Hawaii

House Concurrent Resolution 23, S.D. I Approving The Fee Simple Sale Of 1098 Onaha Street, Wailuku, Hawaii

House Concurrent Resolution 24, S.D. I Approving The Fee Simple Sale Of 1051 Onaha Street, Wailuku, Hawaii

House Concurrent Resolution 25, S.D. I Approving The Fee Simple Sale Of 91-1139 Kamaaha Loop, Kapolei, Hawaii

House Concurrent Resolution 26, S.D. I Approving The Fee Simple Sale Of 91-1072 Welowelo Street, Kapolei, Hawaii

House Concurrent Resolution 27, S.D. I Approving The Sale Of The Fee Interest In 95-033 Kuahelani Avenue, Mililani, Hawaii

House Concurrent Resolution 28, S.D. I Approving The Sale Of The Fee Interest In 95-033 Kuahelani Avenue, Mililani, Hawaii

House Concurrent Resolution 29, S.D. I Approving the Sale of the Fee Interest in 95-029 Kuahelani Avenue, Mililani, Hawaii

House Concurrent Resolution 30, S.D. I Approving the Sale of the Fee Interest in 95-021 Kuahelani Avenue, Mililani, Hawaii

House Concurrent Resolution 31, S.D. I Approving the Sale of the Fee Interest in 2949 Ala Ilima Street #201, Honolulu, Hawaii

House Concurrent Resolution 32, S.D. I Approving The Fee Simple Sale Of The Northwest Corner Parcel, Kapolei, Hawaii

House Concurrent Resolution 33, S.D. I Approving The Fee Simple Sale Of A 9.105 Acre Vacant Parcel In Village 8, The Villages Of Kapolei, Kapolei, Hawaii

House Concurrent Resolution 34, S.D. I Approving The Fee Simple Sale Of Kekuilani Village 4, The Villages Of Kapolei, Kapolei, Hawaii

House Concurrent Resolution 36, S.D. I Approving The Fee Simple Sale Of Two Vacant Parcels In Hokulele, Kaneohe, Hawaii

Senate Concurrent Resolution 93, S.D. I, H.D. I Requesting The Hawaii Housing Finance And Development Corporation To Review The Feasibility Of Developing Single Room Occupancy Dwellings In Transit Oriented Development Projects To Alleviate The Affordable Housing Shortage.

This Concurrent Resolution required the HHFDC to study whether development of Single Room Occupancy dwellings in transit-oriented development projects would be an effective means of addressing the affordable housing shortage, and prepare a report to the Legislature due 20 days prior to the opening of the 2011 Legislative Session.

Act 180, Session Laws of Hawaii 2010 (House Bill 2200) Relating to the State Budget

This Act amended Act 176, Session Laws of Hawaii 2009, providing appropriated funding to the HHFDC as follows:

- \$10,000,000 in General Obligation Bond funds in Fiscal Year 2010 to provide an infusion of funds into the Rental Housing Trust Fund to finance additional affordable rental housing statewide.
- \$20,000,000 in General Obligation Bond funds over Fiscal Years 2010 and 2011 to provide an infusion of funds into the Dwelling Unit Revolving Fund to finance additional workforce and affordable housing statewide.
- \$6,500,000 in General Obligation Bond funds in Fiscal Year 2010 for land acquisition for the development of a 235-unit rental housing complex in Kakaako, Oahu.

BOARD OF DIRECTORS



Karen Seddon
Executive Director



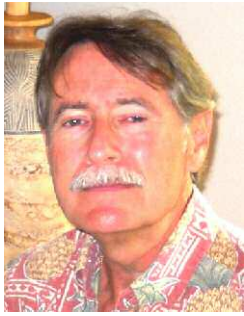
David Lawrence
Chairman (Maui)



Ralph Mesick
Vice-Chairman (Honolulu)



Betty Lou Larson
Secretary (Non-profit)



Gary Siracusa
Director (Kauai)



Allan Los Banos
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Michael Ng
Ex-Officio Member,
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