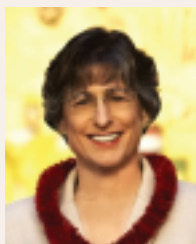




Hawai'i Housing Finance and Development Corporation



MESSAGE FROM THE GOVERNOR



Since its creation in 2006, the Hawai'i Housing Finance and Development Corporation (HHFDC) has boosted the state's production of affordable housing to its highest level in more than a decade.

In 2007, HHFDC facilitated the preservation of 857 affordable rentals at Kukui Gardens; added new 1,461 affordable units to its development pipeline; and committed financing for the development of 414 new rentals.

The agency's success is good news for our state. In addition to bringing the dream of homeownership within reach for many hard-working families in Hawai'i, access to affordable housing allows our kupuna to live independent lives for longer and entices skilled members of our workforce to stay in Hawai'i and support the growth of our economy.

Many families in Hawai'i continue to struggle to find affordable housing, so it is important that HHFDC be able to maintain the positive momentum it has generated during the past two years. My Administration is committed to providing HHFDC with the resources it needs to do this.

In my supplemental budget for fiscal year 2009, I have proposed an infusion of \$25 million into HHFDC's Rental Housing Trust Fund to encourage the development of affordable rental housing projects and \$25 million for the agency's Dwelling Unit Revolving Fund to provide interim financing for affordable housing development. Approval of these funds by the Legislature will help HHFDC continue to address one of the biggest needs in our state.

Public-private partnerships have been vital to the effort to improve affordable housing opportunities in our state. By taking advantage of the innovative financing and development tools HHFDC offers, nonprofit and private developers have had a direct hand in helping Hawai'i residents achieve a better life for themselves and their families. I am proud of what has been accomplished so far and look forward to celebrating more affordable housing successes in the future.

A handwritten signature in black ink, appearing to read "Linda Lingle". The signature is fluid and cursive.

LINDA LINGLE
Governor of Hawai'i



MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

The mission of the Hawai'i Housing Finance and Development Corporation (HHFDC) is to increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development.

In fiscal year 2007, 414 affordable rental housing units were completed. State resources committed to these projects include approximately \$5.3 million in annual federal and state tax credits, \$8.7 million in equity gap and interim construction loans, and \$5.5 million in tax-exempt revenue bonds. In 2008 there are approximately 1,461 units planned for completion as we move closer to our production plan to assist in over 7,000 affordable units built over the next five years.

On a human scale, everything the HHFDC does is to ultimately provide a safe, clean and secure home for hard-working families. 2007 has been a productive first year for the HHFDC, and we look forward to many more groundbreakings and dedications in 2008 and beyond.



A handwritten signature in black ink, appearing to read 'Charles King'.

CHARLES KING
Chairman



A handwritten signature in black ink, appearing to read 'Orlando Davidson'.

ORLANDO "DAN" DAVIDSON
Executive Director

The mission of the Hawai'i Housing Finance and Development Corporation is to increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development.



220 California HHFDC provided financing for a new 42-unit senior rental in Wahiawa. The project is a public-private collaboration with HHFDC and California Dreaming Partnership.

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 Hawai'i Housing Authority, 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.

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. 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.

UNITS PLANNED FOR DELIVERY

The HHFDC has a production plan in place to assist in over 7,000 affordable units built over the next five years.

Fiscal Years	Current	Pipeline	Projected	Total
2008	1461	0	0	1461
2009	1195	0	0	1195
2010	912	0	241	1153
2011	765	492	410	1667
2012	397	1170	343	1910
Total	4730	1662	994	7386



Ewa Villages by EAH, Inc. With a combination of federal and state low-income tax credits and a loan from the Rental Housing Trust Fund, the HHFDC is helping finance approximately 140 affordable rental units in Ewa. Construction is scheduled to be completed in FY 2009.

FACILITATING THE DEVELOPMENT OF AFFORDABLE HOUSING

Low-Income Housing Tax Credits (LIHTC)

The LIHTC program provides financing for private developers and nonprofit agencies to construct or rehabilitate affordable rental units. The HHFDC awards federal and state tax credits which may be used to provide an offset in income tax liability for 10 years or be syndicated to generate substantial project equity.

In Fiscal Year 2007, the HHFDC awarded six projects. \$5,776,782 in annual federal and \$2,986,399 in state LIHTC for the development and preservation of 446 affordable rentals. In addition, six projects totaling 290 units that received LIHTC in a previous year were placed in service in Fiscal Year 2007.

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. To date, the RHTF has awarded over \$10 million to assist in the development of 3,035 affordable rental units. In Fiscal Year 2007, the HHFDC awarded three projects, a total of \$41,991,371 for the development or rehabilitation of 430 affordable units.

Rental Assistance Revolving Fund (RARF)

The RARF Interim Construction Loan Program provides below market interest rate interim construction loans for affordable rental housing, as well as a limited amount of project-based rental assistance subsidies. To date, the HHFDC has provided more than \$44 million to facilitate the development of 846 new affordable rental units.

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% low income housing tax credits in conjunction with the Hula Mae financing. To date, the HHFDC has provided \$80.88 million in financing to stimulate the development or preservation of 744 affordable rental units.

Dwelling Unit Revolving Fund (DURF)

DURF was established pursuant to Act 105, Session Laws of Hawaii 1970, and together with Act 195, SLH 1975 and Act 225, SLH 1976 authorized the State to issue \$125 million in general obligation bonds to acquire, develop, sell, lease, or rent residential, commercial and industrial properties.

Approximately \$45.4 million was later returned to the State General Fund from DURF pursuant to Act 15, SLH 1995 (\$12 million), Act 141, SLH 1998 (\$6.4 million), Act 178, SLH 2002 (\$12 million), and Act 178, SLH 2003 (\$15 million). The DURF cash balance as of June 30, 2007 was approximately \$80.8 million with loan commitments of approximately \$41.8 million.

In the past, DURF was primarily used to fund substantial loans for large projects that included purchase of land as well as the cost of construction for off-site and on-site infrastructure and housing. Currently, DURF is used primarily for interim construction financing of affordable housing projects by private developers and to fund ongoing maintenance requirements of projects that remain the responsibility of the HHFDC.



Villages of Kapolei The master planned community of Kapolei has an integrated mix of affordable and market housing for sale and rent. Future HHFDC projects will include approximately 749 housing units, commercial units, a church site and a community center.

Interim construction financing is presently being provided for the Villages of Kapolei 8, Maili Self Help, and Mokuola Vista projects. Recurring expenditures from DURF include infrastructure maintenance for the Waiahole Valley Agricultural Subdivision, Villages of Kapolei, Villages of La'i'opua, and the Villages of Leiali'i along with property, building, and/or grounds maintenance for Kamaaina Hale, Iwilei Elderly, Kuliouou, Kauolu, and vacant small parcels not yet developed.

Operating revenues for DURF include loan fees, interim construction loan and interest repayments, lease rent income, land sales, shared appreciation equity (SAE) returns, investment interest, and administrative fees.

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 of workforce and affordable housing. The actual RFP 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. The selection is followed with negotiation of development and loan agreements, subject to approval by the HHFDC Board of Directors.

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, 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.



East Kapolei II Approximately 308 multi-family affordable rentals are scheduled for the East Kapolei II Planned Community. Mutual Housing Association of Hawaii, Inc. has an estimated start of construction in June 2009.

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.



Senior Residence at Iwilei 155-unit affordable rental project in Iwilei has an estimated start of construction in 2008.

PIPELINE PROJECTS

Plantation Town Apartments – 330-unit affordable for sale condominium project on approximately 6 acres at the HHFDC's Kau'olu Properties Development, TMK (1) 9-4-17: por. 58. June 27, 2006 – the HCDCH executed development agreement with Plantation Town Apartments, LLC. July 19, 2006 – City Council approved zoning exemptions for the project. September 15, 2006 – commencement of sales. March 14, 2007 – commencement of construction.

Mokuola Vista – 70-unit affordable rental project on approximately 1.4 acres at the HHFDC's Kau'olu Properties Development, TMK (1) 9-4-17: 53 & 54. June 22, 2006 – the HCDCH executed development agreement with GSF, Inc. July 19, 2006 – City Council approved zoning exemptions for the project. March 8, 2007 – the HHFDC approved \$3 million DURF interim loan. Summer 2007 – commencement of construction.

Kahikolu Ohana Hale O Waianae Project – 72-unit, 40-bed dormitory, emergency, transitional and affordable rental housing project. Act 100, SLH 2006 appropriated \$5 million grant to project. July 6, 2006 – Governor issued Emergency Proclamation to address homeless population on leeward coast. November 1, 2006 – Governor approved transfer of \$5.5 million in RHTF to project. November 30, 2006 – the HHFDC executed Ground Lease and Development Agreement with Hawai'i Coalition of Christian Churches. April 12, 2007 – HHFDC approved \$2.356 million in RHTF grant for project. Act 213, SLH 2007 appropriated \$250,000 grant to project. June 18, 2007 – commencement of construction.

Keahuolu – 272 acres of non-ceded land on Palani Road in Keahuolu, Kailua-Kona, Hawai'i, TMK (3) 7-4-21: 20. October 12, 2006 – the HHFDC approved DURF budget of \$1 million for master plan and EIS for project. June 2007 – completed master plan for project site. July 9, 2007 – the HHFDC received fee title of project site from DLNR.

Senior Residence at Iwilei – 155-unit senior project, TMK (1) 1-5-7: 2. March 29, 2007 – the HHFDC executed Ground Lease with Pacific Housing Assistance Corporation.

Halekauwila Place – 196-unit affordable family rental housing project, TMK (1) 2-1-51: por. 9. October 16, 2006 – the HHFDC issued an RFP for development of the site. March 8, 2007 – HHFDC approved selection of Halekauwila Place, LLC.



Halekauwila Place 196 rental units are in the pipeline for working families in Kakaako.



Mokuola Vista 70 unit affordable rental project in Waipahu on State land.

Villages of Leiali'i – 1,128 acres of State land in Lahaina, Maui, Hawai'i, TMK (2) 4-5-21: 3, 18, 19, 20, 21, por. 22; 4-5-36: 1 to 111. May 7, 2007 – the HHFDC approved DURF budget of \$1 million to update the master plan and EIS for the project.

Nohona at Kapolei – 118-unit affordable for sale town-home condominium project on approximately 7.6 acres in Village 5 of the Villages of Kapolei Master Planned Community, TMK (1) 9-1-16:59. April 2, 2007 – the HHFDC conveyed parcel to Castle & Cooke Homes Hawai'i, Inc. (CCHH). Onsite infrastructure construction is completed and home construction is ongoing. First units are to be delivered in 1st Quarter 2008.



Village Center The HHFDC executed a development agreement with Castle & Cooke Homes Hawaii to deliver approximately 177 units, 2 commercial spaces, a recreation center and a church. CCHH will also develop 64 affordable rentals and 32 affordable family homes within the Villages of Kapolei. Construction is scheduled for 4th Quarter 2008.

Villas at Aeloa – 72-unit affordable tax-credit rental project on approximately 3.5 acres in Village 2 of the Villages of Kapolei, TMK (1) 9-1-16:36. The HHFDC executed a 58-year lease to Kapolei Pacific Limited Partnership. Site construction started 4th Quarter 2007.

Kealakai – 102 affordable rental and 116 affordable for-sale unit project on approximately 9.8 acres in Village 6 of the Villages of Kapolei, TMK (1) 9-1-16:64. The HHFDC executed a development agreement with CCHH to develop this project. Planning, design and engineering studies ongoing. Site construction started 4th Quarter 2007.

Senior Residence at Kapolei – 60-unit affordable rental project on approximately 4.3 acres in Village 2 of the Villages of Kapolei, TMK (1) 9-1-16:93. The HHFDC executed a 75-year lease with the Pacific Housing Assistance Corporation Kapolei Residence to facilitate the development of this project. Site construction started 4th Quarter 2007.

Village Center – Village 4 Rentals and Village 5 Single Family Homes – the HHFDC executed a development agreement with CCHH to develop 177 units, 2 commercial spaces, a recreation center and church site on approximately 15.4 acres identified as the Village Center parcels within the Villages of Kapolei. CCHH will also develop 32 affordable single family homes on approximately 2.6 acres in Village 5 of the Villages of Kapolei and 64 affordable rental units on approximately 2.5 acres in Village 4 of the Village of Kapolei. Planning, design and engineering studies ongoing. Construction is scheduled to start in 4th Quarter 2008.

Mali III Self-Help Project – The HHFDC helped finance the Self-Help Housing Corporation of Hawai'i's (SHHCH) purchase of approximately 9.5 acres of land in Maili, Waianae, Oahu, TMK (1) 8-7-2:1, 7, 15 & 16. SHHCH plans to develop a 77 single family home subdivision on the land utilizing the 201H fast-track development process. SHHCH has submitted a draft Environmental Assessment and has submitted its 201H application to the City and County of Honolulu Department of Planning and Permitting.

East Kapolei II Request For Proposals (RFP) – On March 5, 2007, the HHFDC issued a RFP for the development of two Low-Density Apartment designated parcels within the East Kapolei II Planned Community. Final proposals were received in October 2007 and the HHFDC selected The Mutual Housing Association of Hawai'i, Inc. to develop a 308-unit affordable rental project on one parcel. The other parcel will be the subject of a future RFP.

Waiahole Valley Water System (WVWS) Improvements – the HHFDC has been working with its civil engineering consultant and the Honolulu Board of Water Supply (BWS) to develop a proposed improvement plan to upgrade the deteriorating WVWS and in turn transfer the upgraded WVWS to the BWS. The HHFDC is requesting CIP funds to pay for the proposed improvements.

Program Promotion – The HHFDC has been actively promoting its financing and development programs to spur affordable housing developments throughout the State of Hawaii.



The Courtyards at Mililani Mauka The HHFDC provided \$10.1 million in federal and state low-income housing tax credits over 10 years in return for maintaining affordability for 30 years for the 48-unit rental complex. The project is the result of a public-private collaboration between HHFDC, Castle and Cooke Homes Hawaii, Inc. and Pacific Housing Assistance Corporation.

HHFDC LEGISLATION PASSED IN 2007

Act 186, Session Laws of Hawai'i 2007 (House Bill 1264) Relating to Housing

This Administration bill authorizes the HHFDC to waive the ten-year-buyback and shared-appreciation-equity restrictions imposed on all 201H affordable housing projects for sustainable affordable leases as defined in section 516-1, Hawai'i Revised Statutes (HRS)

Act 203, Session Laws of Hawai'i 2007 (House Bill 835) Relating to Housing

This Act establishes a pineapple workers and retirees housing assistance fund administered by the HHFDC to be used for mortgage payment assistance and rental subsidies for workers and retirees displaced or affected by the closure of Del Monte Fresh Produce in February 2006. \$600,000 in FY 2007-2008 and \$600,000 in FY 2008-2009 are appropriated into the newly-created fund for this purpose.

Act 208, Session Laws of Hawai'i 2007 (Senate Bill 1017) Relating to Housing

This Act makes technical and housekeeping amendments to section 22 of Act 100, SLH 2006 to ensure that the Hawai'i Habitat for Humanity Association's zero-interest revolving loan grant-in-aid can be utilized to help low-income families to become homeowners.

Act 222, Session Laws of Hawai'i 2007 (Senate Bill 1917) Relating to Housing

This Act is an omnibus housing bill. With respect to the HHFDC, this Act: Requires the HHFDC to create an affordable housing inventory registry; and Amends Act 100, SLH 2006 to extend for an additional fiscal year (until June 30, 2008) the dedication of 50 percent of conveyance tax receipts to the Rental Housing Trust Fund.

Act 231, Session Laws of Hawai'i 2007 (House Bill 667) Relating to Kukui Gardens Rental Housing Complex

This Act authorizes the issuance of general obligation bonds in the amount of \$25 million for the acquisition and financing of a portion of the land and improvements of Kukui Gardens. It also raises the HHFDC's revenue bond ceiling from \$300 million to \$400 million to allow the use of tax-exempt revenue bonds for the acquisition and substantial renovation of the state-owned portion of the property.

Act 249, Session Laws of Hawai'i 2007 (House Bill 487) Relating to Housing Programs

This Act implements the recommendations of the Legislative Reference Bureau to substitute the references to the Housing and Community Development Corporation of Hawaii to the HHFDC or Hawai'i Public Housing Authority, as appropriate. It also adds a new definition of "elderly housing project" that closely tracks the Federal definition established by HUD for projects owned or financed by the HHFDC.

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