

2008 ANNUAL REPORT

HAWAII HOUSING FINANCE & 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. Moving forward, the agency has a production plan in place that will facilitate the development and preservation of more than 5,000 affordable units over the next five years.

Construction of affordable homes brings the dream of homeownership within reach for many hard-working families in Hawai'i. It also stimulates our economy and preserves and creates jobs in construction and related industries. My Administration has made accelerating public construction projects, including affordable housing, a highlight of our proactive five-point action plan to strengthen the economy.

Despite significant strides made by HHFDC and its partners over the past three years, Hawai'i still faces an affordable housing gap. We know that one of the reasons for this gap is the length of time it takes housing developers to meet the regulatory requirements established at the state and local levels.

In August 2007, I established a 21-member task force comprised of members of state and county agencies and members of the business, professional and non-profit communities to analyze these regulations. Since then, the task force has worked collaboratively to formulate recommendations that will streamline the development of affordable housing in Hawai'i.

While these recommendations formally take shape, HHFDC continues its efforts to provide innovative financing and development tools to the private and nonprofit developers with which it collaborates.

I am proud of what HHFDC has accomplished so far, and look forward to celebrating many more affordable housing successes in the future. Thank you for your partnership in making homeownership a reality for so many Hawai'i families.

LINDA LINGLE
Governor of Hawai'i



MESSAGE FROM THE EXECUTIVE DIRECTOR AND CHAIRMAN

This past year has been marked by major changes in the housing development and financing worlds, and the HHFDC staff has risen to the challenges presented by these changes.

In fiscal year 2008, we were able to deliver 1,503 housing units to the inventory of affordable housing while managing assets in excess of \$780 million. In 2009, there are approximately 400 units planned for completion as we stay on course for our production plan to assist in over 5,000 affordable units delivered over the next five years.

So while we take great satisfaction in our accomplishments in 2008, we look forward to the challenges ahead of creating workable solutions to encourage the development and preservation of much-needed affordable housing for the people of Hawai'i.



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

KAREN SEDDON
Executive Director



A handwritten signature in black ink that reads "Charles King".

CHARLES KING
Chairman

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

LEGISLATIVE HISTORY



Nohona at Kapolei Lottery A lottery was held for pre-qualified applicants for Nohona at Kapolei, a partnership with Castle & Cooke Homes Hawaii, Inc.

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
2009	400	0	0	400
2010	1406	0	407	1813
2011	1153	0	473	1626
2012	480	0	470	950
2013	542	298	217	1057
Total	3981	298	1567	5846

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.



Kukui Gardens HHFDC negotiated the preservation of 857 family units in the existing affordable housing complex using a combination of low-income housing tax credits, Hula Mae Multi-Family tax-exempt bond financing and DURF cash advances to acquire and rehabilitate the project.

TOOLS FOR INCREASING THE INVENTORY 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 project equity.

In Fiscal Year 2008, the HHFDC awarded three projects for the development and preservation of 171 affordable rentals. In addition, two projects totaling 76 units that received LIHTC in a previous year were placed in service in Fiscal Year 2008.

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 \$116 million to assist in the development of 3,185 affordable rental units. In Fiscal Year 2008, the HHFDC awarded two projects, a total of \$3.6 million for the development of 90 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 \$44.8 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 \$134.3 million in financing to stimulate the development or preservation of 1205 affordable rental units.

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, 2008, the HHFDC has traded approximately \$266.4 million of mortgage revenue bond authority for just over \$66.6 million of MCC authority and to date, has assisted 1,024 families in purchasing their first home.



Courtyards at Mililani Mauka Blessing and dedication ceremony for the 48-unit affordable rental complex. HHFDC provided \$10.1 million in federal and state low-income housing tax credits to help finance the project.

Dwelling Unit Revolving Fund (DURF)

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.

Interim construction financing is presently being provided for Maili Self Help and Mokuola Vista. 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 Leialii along with property, building, and/or grounds maintenance for Kamaaina Hale, Kauolu, and vacant, remnant or small parcels not yet developed.

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".



Nohona at Mililani Mauka A 118-unit two and three-bedroom town home complex. The affordable fee simple project is the result of a collaboration between HHFDC and Castle & Cooke Homes Hawaii, Inc.

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.



Nohona at Mililani Mauka Representatives from the State and Castle & Cooke Homes Hawaii, Inc. celebrate the completion with a blessing and dedication ceremony.



Plantation Town Apartments 330-unit affordable for sale condominium project on approximately 6 acres of state land.

CURRENT 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.

Kukui Gardens - 857 total family rental units (Parcel A – 389 units and Parcel B – 468 units) HHFDC negotiated preservation of existing affordable rental housing complex; HHFDC provides DURF advance, Hula Mae Multi-family tax-exempt bond financing, and low income housing tax credits to acquire and rehabilitate Parcel A; State provides GO bond appropriations in FY 2007 and FY 2008 for Parcel A. Parcel B to remain affordable through 12/18/2062.

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.

Nohona at Kapolei – 118-unit affordable for sale townhome 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).

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.

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.

Kamakana at Keahuolu – 272 acres of non-ceded land on Palani Road in Keahuolu, Kailua-Kona, Hawai'i, TMK (3) 7-4-21:20. July 9, 2007 – the HHFDC received fee title of project site from DLNR. Approximately 1,104 affordable housing units of the total projected 2,206. RFP issued in 7/07 and awarded to Forest City Hawaii Residential on April 11, 2008.

Senior Residence at Iwilei – 160-unit senior project, TMK (1) 1-5-7: 2. March 29, 2007 – the HHFDC executed Ground Lease with Pacific Housing Assistance Corporation.



Kahikolu Ohana Hale O Waianae Project 72-unit, 40-bed dormitory, emergency, transitional and affordable rental housing project.

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.

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.

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.

Ewa Villages, Phase I & II – 140 family rental units. HHFDC providing low-income housing tax credits and rental housing trust fund gap equity loan.

Maili 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 a draft Environmental Assessment and submitted its 201H application to the City and County of Honolulu.

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.

Hale Wai Vista I & II – 216 family rental project in Waianae, Oahu. HHFDC providing low income housing tax credits and rental housing trust fund gap equity loan. Targeted completion in FY 2009.

Kalaeloa Residence Hall, Building 34 – 80-unit U.S. veterans housing facility in Kapolei. HHFDC is providing a rental housing trust fund loan to renovate an existing military barrack for veterans housing. Partially in service; renovations targeted to be completed in FY 2008.

Hale Mohalu II – 164 senior rental units in Pearl City. HHFDC providing Hula Mae multi-family tax-exempt revenue bond financing and low income housing tax credits. Targeted completion in FY 2010.

Puukolii I and II – Approximately 100 rental units and 397 for-sale units in West Maui. HHFDC assisting with land use and zoning approvals. Targeted completion in FY 2010.

East Kapolei II – Part of DHHL master planned community in East Kapolei. HHFDC Board approved selection of The Mutual Housing Association of Hawaii, Inc. to develop a 308-unit affordable rental project on one parcel. The other parcel will be the subject of a future RFP.



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 Mali, Waianae, Oahu, to develop a 77 single family home subdivision on the land utilizing the 201H fast-track development process.

HHFDC LEGISLATION PASSED IN 2008

Act 121, Session Laws of Hawaii 2008 (Senate Bill 3174) Relating to Affordable Housing

This Act increased the Hula Mae Multifamily Revenue Bond authority from \$400,000,000 to \$500,000,000 to provide additional financing for substantial rehabilitation or development of affordable rental housing projects.

Act 123, Session Laws of Hawaii 2008 (Senate Bill 2293) Relating to Affordable Housing

This Act establishes an exemption from the Shared Appreciation Equity (SAE) and 10 year buy-back restrictions customarily imposed on affordable housing projects utilizing the 201H expedited review process that applies only to new, high-density multifamily condominium projects that are built on private lands without any Federal, State, or County financing, subsidies, or tax credits, and are not built to satisfy State or County affordable housing conditions or HCDA reserved housing requirements.

Act 158, Session Laws of Hawaii 2008 (Senate Bill 2500) Relating to the State Budget

This Act appropriated additional funding to the HHFDC as follows:

- \$26,000,000 in General Obligation Bond funds for completion of the transaction to preserve affordable rental housing at Kukui Gardens, Oahu.
- \$15,000,000 in General Obligation Bond funds to provide an infusion of funds into the Rental Housing Trust Fund to finance additional affordable rental housing statewide.
- \$10,000,000 in General Obligation Bond funds to provide an infusion of funds into the Dwelling Unit Revolving fund to finance additional workforce and affordable housing statewide.

BOARD OF DIRECTORS



Karen Seddon
Executive Director



Charles King
Chairman (Kauai)



David Lawrence
Vice-Chairman (Maui)



Betty Lou Larson
Secretary (Non-profit)



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