

Hawai`i Housing Finance & Development Corporation



## MESSAGE FROM THE GOVERNOR



Throughout 2009, I have challenged every state department and agency to find new and creative ways to improve the quality of life for the people of Hawai'i. Despite the severest economic crises in our state's history, the Hawai'i Housing Finance and Development Corporation (HHFDC) has managed to increase the state's production of affordable housing with the completion of another 342 units, and a production plan in place that will facilitate the development and preservation of more than 5,000 affordable units over the next five years.

One part of my administration's five-point plan to stimulate the economy and create jobs is to maximize the use of federal dollars. HHFDC was one of the first state agencies to implement parts of the American Recovery and Reinvestment Act federal stimulus program through the Tax Credit Assistance Program and Section 1602 Program Exchange Eligible Low-Income Housing Tax Credit program. This will stimulate the production of workforce and affordable housing. HHFDC also administers the federal Neighborhood Stabilization Program which was established to help communities that have suffered from foreclosures and abandonment.

HHFDC is also assisting the state's efforts to create a clean energy economy in which 70 percent of our energy needs come from clean energy sources by 2030. As part of its contribution to the Hawai'i Clean Energy Initiative, HHFDC is encouraging energy and water efficient development as a step towards providing a cleaner, more sustainable and secure energy future for generations to come. While these new programs formally take shape, HHFDC continues its efforts to offer innovative financing and development tools to the private and nonprofit developers with which it collaborates.

I appreciate HHFDC's commitment to continuing to seek long-term solutions to meeting our affordable housing needs and capitalizing on opportunities that will benefit future generations in Hawai'i.

A handwritten signature in black ink, which appears to read "Linda Lingle". The signature is fluid and cursive, with a large loop at the end.

**LINDA LINGLE**  
Governor of Hawai'i



## MESSAGE FROM THE EXECUTIVE DIRECTOR AND CHAIRMAN

This past year has been marked by major challenges in the housing development and financing worlds, but the capital market crisis that has caused foreclosures to spike and tax credits to plummet has given us a renewed sense of purpose.

Our staff is working diligently to develop feasible programs to leverage federal stimulus funds and support sustainable development by encouraging renewable energy and water conservation in future projects.

In fiscal year 2009, we were able to deliver 342 housing units to the inventory of affordable housing while managing assets in excess of \$868 million. In 2010, there are approximately 400 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.

As we look ahead to the upcoming year, we will undoubtedly face more difficulties but will press forward in spite of the challenges and work with our partners to meet our goals.



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 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.

---



**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
2010	382	0	407	789
2011	1883	0	473	2356
2012	840	0	470	1310
2013	372	292	217	881
2014	439	0	0	439
<b>Total</b>	<b>3916</b>	<b>292</b>	<b>1567</b>	<b>5775</b>

## 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 (ARRA) 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 \$2.9 million in federal and \$1.48 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 is eligible for up to \$9,861,610 in TCAP appropriations, and HHFDC is responsible for management of Hawaii's TCAP funds. On June 12, 2009, HUD advised HHFDC that its application and supplemental submissions met the standard established for TCAP implementation, and that it could commence its competitive selection process for TCAP projects and begin the environmental review on projects selected as a result of that process.

### 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. Of the Federal LIHTC currently held by the HHFDC for allocation in 2009, up to 100% of the 2008 Unused Credits (\$2,819,614) and 35.3% of the 2009 LIHTC Ceiling (\$1,185,142) can be exchanged. The intent of the Section 1602 Program is to assist stalled LIHTC projects and stimulate spending and development of projects that are "shovel ready".

### 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.



**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.

#### **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 median family income. In addition the RHTF program offers capacity building grants and pre-development loans to eligible non-profit organizations. The RHTF also has \$45,000,000 in General Obligation Bond appropriations that will be allotted once funds are required to meet project commitments.

#### **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, 2009, the program has issued 10 series of bonds, including one refunding series, totaling \$167,798,000.

#### **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 (NSPI)**

The NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. NSPI, a term that references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis.



**Senior Residence at Kapolei 2** HHFDC is providing a loan and grant from the Rental Housing Trust Fund and a long-term land lease for the 20 one-bedroom unit project in the Villages of Kapolei.

## 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 I** 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** 102 affordable rental and 116 affordable for-sale units in Village 6 of the Villages of Kapolei. The HHFDC executed a development agreement with Castle & Cooke Homes Hawaii, Inc. for this project.

## 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.



## FINANCING RESOURCES 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, 2009, 10,025 families were able to purchase their first homes.

### 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, 2009, 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.

### Downpayment Loan Program

HHFDC may make second mortgage loans to help first-time homebuyers. Under the Downpayment Loan Program, the maximum loan amount is 30 percent of the purchase price or \$15,000, whichever is less. Loans are available at an interest rate of 3 percent for 15 years. As of June 30, 2009, nine families were assisted. Due to funding constraints, funds are not available at this time.



**Makali'i at Kapolei** 32 single-family for-sale homes developed with Castle & Cooke Homes Hawaii, Inc. in the Villages of Kapolei.



**Kamakana Villages at Keahuolu** Artist's rendering of mixed-use center along main boulevard.

## CURRENT PROJECTS

**Kamakana at Keahuolu** – Master-planned community on 272 acres of non-ceded land in Keahuolu, Kailua-Kona, Hawai'i. On July 9, 2007, the HHFDC received fee title of project site from DLNR. Approximately 1,104 units of the total projected 2,206 will be affordable.

**Halekauwila Place** – 196-unit affordable family rental housing project in Kakaako. In October 16, 2006, the HHFDC issued an RFP for development of the site.

**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.

**Villas at Aeloa** – 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. 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.

**Franciscan Vistas Ewa** – The HHFDC has made financing commitments for 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 start in 2010 with estimated completion in 2011.



**Halekauwila Place** 196-unit affordable family rental project in Kakaako.



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

**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.

**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 for completion in FY 2010.

**Holomua** – 176-unit affordable for-sale condo in the urban core. Targeted for completion in FY 2011.

**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 for completion in FY 2010.

**Hale Makana O Nanakuli** – 48 one-, two- and three-bedroom family rentals in Nanakuli. HHFDC made financing commitments for tax-exempt revenue bonds, federal and state low Income Housing Tax Credits and Rental Housing Trust Fund loan. Estimated completion in 2011.

**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 for 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.

**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.



**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 2009

### **Act 38, Session Laws of Hawaii 2009 (Senate Bill 862) Relating to Housing**

This Act, an Administration bill, amends statutory language to enable the HHFDC to more easily collect the value of shared appreciation equity and other restrictions when an affordable housing property is publicly sold through a foreclosure. The Act also requires that the HHFDC be provided with written notification of intent to foreclose on properties encumbered by such priority liens.

### **Act 142, Session Laws of Hawaii 2009 (Senate Bill 440) Relating to Counties**

This Act requires counties to accept or reject a public infrastructure dedication, under specified conditions, as part of an affordable housing project, within 90 days or the infrastructure is deemed dedicated.

### **Act 143, Session Laws of Hawaii 2009 (House Bill 1045)**

#### **Relating to the Hawaii Housing Finance and Development Corporation**

This Act, an Administration bill, makes necessary housekeeping amendments to chapter 201H, Hawaii Revised Statutes, authorizes the HHFDC to modify terms, plans, specifications and other matters relating to projects previously approved by predecessor agency, and authorizes the establishment of service fees to recoup program administrative expenses.

### **Act 176, Session Laws of Hawaii 2009 (Senate Bill 1677) Relating to Lands Controlled by the State**

This Act establishes legislative oversight of sales or exchanges of land, other than remnant parcels, held by the State, effective July 1, 2009. Act 176 requires state agencies to (1) hold an informational meeting in the community in which the land at issue is located; (2) submit a concurrent resolution to the Legislature including specified information about the proposed land sale or exchange; and (3) obtain legislative approval by at least a two-thirds majority vote in each House. The Act exempts transfers of remnant parcels, the issuance of licenses, permits, easements, and leases, and the sale or exchange of lands between state departments or agencies from its requirements.

### **Act 162, Session Laws of Hawaii 2009 (House Bill 200) Relating to State Budget**

This Act appropriated additional funding to the HHFDC as follows:

- \$30,000,000 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



**Charles King**  
Chairman (Kauai)



**David Lawrence**  
Vice-Chairman (Maui)



**Betty Lou Larson**  
Secretary (Non-profit)



**Ralph Mesick**  
Director (Honolulu)



**Allan Los Banos**  
Director (At-large)



**Francis L. Jung**  
Director (Hawai'i)



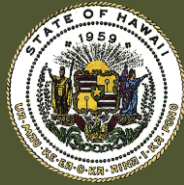
**Linda Smith**  
Ex-Officio Member,  
Office of the Governor



**Georgina Kawamura**  
Ex-Officio Member, Director  
Department of Budget  
and Finance



**Theodore E. Liu**  
Ex-Officio Member, Director  
Department of Business,  
Economic Development  
and Tourism



677 Queen Street, Suite 300 • Honolulu, Hawaii 96813  
Ph: (808) 587-0620 • Fax: (808) 587-0600 • [www.hawaii.gov/dbedt/hhfdc](http://www.hawaii.gov/dbedt/hhfdc)