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OUR REFERENCE NO.:
067714-0001

October 19, 2015

**Via Hand Delivery and
Via E-Mail contact@hcdaweb.org**

Via Hand Delivery

Mr. Aedward Los Banos
Acting Executive Director
Hawaii Community Development Authority
547 Queen St
Honolulu, HI 96813

John Whalen, Chairperson
and Members of the
Hawaii Community Development Authority
547 Queen St
Honolulu, HI 96813

RE: Ola Ka 'Ilima Artspace Lofts, 1025 Waimanu Street, Kakaako
TMK No. (1) 2-3-003: 040 - Request for Action on Affordability Covenant

Dear Chair Whalen, Mr. Los Banos and Members of the Authority:

As you are aware, we represent Artspace Projects, Inc. ("**Artspace**"), a non-profit real estate developer specializing in creating, owning and operating affordable spaces for artists and creative businesses, and the applicant under Development Permit No. KAK 14-101 for the development of the Ola Ka 'Ilima Artspace Lofts project ("**Lofts Project**"), a proposed mixed-use affordable rental housing and commercial project located within the Mauka Area of the Kakaako Community Development District, on land owned by the Hawaii Community Development Authority ("**HCDA**"). We also represent Ola Ka 'Ilima Lofts, Limited Liability Limited Partnership ("**Ola Ka 'Ilima**"), the entity that will develop the Lofts Project. Ola Ka 'Ilima and HCDA will be entering into a 65-year ground lease of the above-referenced subject property ("**Property**") to allow for the construction and operation of the Lofts Project.

We are grateful for opportunity to present the draft affordability covenant to HCDA for information and discussion at the HCDA October 7, 2015 meeting. As you will recall, we first presented the concept of the affordability covenant to HCDA for consideration in June of this year. At that time HCDA requested a draft of the actual covenant before it could decide whether to agree to subject HCDA-owned property to the requirement to be retained as affordable housing in perpetuity.

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HCDA, as the landowner of the Property, is the only party that has the authority to make the perpetuity commitment required under the City's Affordable Housing Fund. In June the City had not yet provided a draft of the affordability covenant that it would require in order to satisfy the Affordable Housing Fund requirements. Therefore, HCDA was not able to take action to approve the concept of putting a perpetual affordability covenant on the Property.

The City provided Ola Ka 'Ilima a draft affordability covenant in September, which we circulated to HCDA by letter dated September 29, 2015. We appreciate the opportunity that HCDA gave us to present the affordability covenant for information and discussion on October 7, 2015. However, because the covenant was placed on the HCDA agenda for "information and discussion", HCDA was not able to engage in decision making at the October 7, 2015 meeting.

Ola Ka 'Ilima anticipates that the City will be releasing a Request for Proposals shortly to solicit bids for the \$4,400,000 that the City has generously agreed to make available from its Affordable Housing Fund to further the development of affordable housing for artists in Kakaako. Ola Ka 'Ilima plans to submit a proposal in response to the City's RFP. We anticipate that the terms of the RFP could call for confirmation of the ability to record a perpetual affordability covenant against the property. Therefore, we are anxious to receive HCDA's determination on this issue (recognizing, of course, that the actual covenant document would not be executed until all necessary steps have been taken, and only if Ola Ka 'Ilima is awarded the RFP).

We respectfully request that HCDA place the affordability covenant on the next Kakaako agenda for decision making, so that HCDA can take action to authorize the Director to execute the affordability covenant once finalized by the City. Similar to the manner in which HCDA, on November 25, 2014, authorized the Executive Director to enter into a lease agreement for 65 years for the Lofts Project based upon the terms identified in a term sheet, but without having the final ground lease before it, Ola Ka 'Ilima asks that HCDA take similar action now, in this matter, and provide authorization for the Executive Director to enter into a perpetual affordability covenant for the Property, generally consistent with the terms of the draft provided in September, with authorization to be given now, and execution of the covenant to be completed at the appropriate time.

Very truly yours,


Jennifer A. Lim

JAB/SSLM/jah

cc: Greg Handberg, Artspace Projects, Inc./Ola Ka 'Ilima Lofts, LLLP