

**FOR ACTION**

**I. REQUEST:**

Approve the Certification of Eight Zero Three Waimanu, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Dwelling Unit Revolving Fund Interim Loan for the Proposed 803 Waimanu For Sale Condominium Project, Located in Kakaako, Oahu, TMK Nos.: (1) 2-1-049:050, 070, and 072.

**II. FACTS**

Project:	803 Waimanu
Address:	803 Waimanu Street, Honolulu, Hawaii 96826
HHFDC Involvement:	Lender
Landownership:	Private (Eight Zero Three Waimanu, LLC)
Type:	Residential
No. of Units:	153 units
Target Market:	62 units at 80% and below HUD AMI (HHFDC restricted) 12 units at 100% and below HUD AMI (HHFDC restricted) 3 units at 110% and below HUD AMI (HHFDC restricted) 6 units at 100% and below HUD AMI (HCDA restricted) 1 unit at 110% and below HUD AMI (HCDA restricted) 7 units at 120% and below HUD AMI (HCDA restricted) 5 units at 130% and below HUD AMI (HCDA restricted) 5 units at 140% and below HUD AMI (HCDA restricted) <hr/> 52 units at Market Rate
Unit Mix and Area:	153 Total units 123 Studios (384 - 434 sq. ft.) 29 1-bedroom units (453 - 784 sq. ft.) <hr/> 1 2-bedroom units (1,029 sq. ft.) 153 Total units
Land Area:	.49 acre (21,192 square feet)
Zoning:	MUZ-C Mixed Use Commercial Kakaako Community Development District
LUC District:	Urban
TMK:	(1) 2-1-049:050, 070, 072
Developer:	MJF Development Corporation Franco Mola, President
Developer Contact:	Zen Sawyer Consulting LLC Zen Sawyer, Principal 8 Grove Street Mill Valley, California 94941 (818) 653-3899

- A. 803 Waimanu (Project) is a proposed affordable for-sale condominium project with 153 units, located in Kakaako, Oahu, Hawaii. The site is located in the Mauka Area of the Kakaako Community Development District (KCDD), bounded by Piikoi Street, Ala Moana Boulevard, Punchbowl Street and King Street, and was designated by the Hawaii State Legislature in 1976 to be under the jurisdiction of the Hawaii Community Development Authority (HCDA). The site

is located at the makai end of Waimanu Street at its intersection with Dreier Street near Kapiolani Boulevard on three parcels totaling 21,189 square feet and zoned as Mixed-Use Commercial (MUZ-C). See Exhibit A, Location Map.

- B. The Project will consist of a six story U- shaped building atop a one story podium structure, for a total of seven stories within the 65 foot height limit. The ground floor will contain parking, lobby, office, circulation, and service spaces, with 12 split level units lining both Waimanu and Kawaihahao Streets. Hidden behind the residential units, the interior of the ground floor will provide 91 parking stalls using a three-tiered system of mechanical lifts, which will be semi-automated and unattended. A 12 feet wide ingress driveway will provide access to the parking from Waimanu Street with a similar egress driveway onto Kawaihahao Street. The parking area will house a loading zone, one accessible van stall and bicycle parking for approximately 100 bicycles. The building will contain flats lining a double loaded corridor served by two elevators, two stairways, and one trash room on each floor. A 3,148 square foot landscaped courtyard on the second level, and two additional landscaped roof decks totaling 5,329 square feet will provide social gathering and passive recreation areas for residents and their guests. The site plan and perspective renderings of the Project are shown in Exhibit B.
- C. The 153 residential units will consist of 123 studios, 29 one-bedrooms and 1 two-bedroom unit. Fifty-one percent (51%) or 77 units will be set aside for eligibility under Dwelling Unit Revolving Fund (DURF) financing pursuant to HHFDC rules. Twenty percent (20%) of the residential floor area comprising 24 units will be set aside as “Reserved Housing Units” under HCDA rules. Therefore, a total of 101 units (66%) will be “restricted” as affordable with the remaining 52 units “unrestricted” and sold at market rate, as summarized in the following table:

	Restricted by HHFDC	HCDA Reserved Housing	Market Rate	Total
Studios	77	6	40	123
One-Bedrm.		17	12	29
Two-Bedrm.		1		1
Total:	77	24	52	153

A matrix comparing current features of the HCDA and HHFDC affordable housing programs is provided in Exhibit C.

- D. The affordability levels by unit type, number of units, unit size, market study achievable pricing (based on comparable properties), and maximum affordable prices (at 5% interest) are shown in the following table:

Unit Type	Restriction (AMI %)	Agency	No. of Units	Unit Size (sf)	Market Study Pricing	Affordable Sales Price
Studio	80%	HHFDC	62	384	\$240,000	\$227,500
Studio	100%	HHFDC	12	384	\$297,600	\$284,400
Studio	110%	HHFDC	3	434	\$336,350	\$312,800
Studio	100%	HCDA	6	384	\$268,800	\$270,244
1 BR/1BA	110%	HCDA	1	453	\$351,057	\$341,039
1 BR/1BA	120%	HCDA	4	536	\$375,200	\$368,766
1 BR/1BA	120%	HCDA	3	541	\$378,700	\$367,777
1 BR/1BA	130%	HCDA	5	655	\$409,375	\$391,412
1 BR/1BA	140%	HCDA	3	666	\$449,550	\$424,425
1 BR/1BA	140%	HCDA	1	784	\$450,800	\$412,044

2 BR/1.5 BA	140%	HCDA	1	1,029	\$540,225	\$513,124
Studio	Unrestricted	NA	37	384	\$307,200	NA
Studio	Unrestricted	NA	3	434	\$342,860	NA
1 BR/1BA	Unrestricted	NA	1	536	\$415,400	NA
1 BR/1BA	Unrestricted	NA	1	570	\$441,750	NA
1 BR/1BA	Unrestricted	NA	9	650	\$487,500	NA
1 BR/1BA	Unrestricted	NA	1	655	\$491,250	NA

- E. The 62 studio units set aside at 80 percent AMI will not include parking. The remaining 91 units will each have one parking stall.
- F. Franco Mola is the President and Founder of Coastal Rim Properties, Inc. (CRP) and its subsidiary, MJF Development Corporation (MJF), with over 35 years of experience in construction, financing, and development. CRP and MJF have completed projects throughout the Western US, Hawaii, and Baja California. Development experience ranges from affordable and market rate projects, rental and for-sale developments, multi- and single-family residential, senior developments, office hotel, retail, large-scale mixed-use developments and master planned communities. Mr. Mola's reputation is built on his ability to finance, build, and execute all aspects of developments for a broad range of communities.
- G. On October 22, 2013, the Developer's consultant, Pacific Atelier International made a presentation to the Ala Moana/Kakaako Neighborhood Board No. 11, which did not vote on the Project. HCDA held public hearings on the Project on November 6, 2013 and January 8, 2014. Supplemental comment sessions were held at HCDA on November 16, 19, December 14, and 17, 2013 to provide additional opportunities for public testimony.
- H. On January 8, 2014, HCDA approved the Project (Development Permit Application No. KAK-13-091:803 Waimanu Street). The approval included a determination that the Project did not require any modifications to the Mauka Area Rules, was compatible with the existing and planned land use character of the surrounding area, and that infrastructure in the area was adequate to support the Project.
- I. On May 27, 2015, a Draft Environmental Assessment for the Project was filed by HHFDC with the Office of Environmental Quality Control (OEQC) and published in the June 8, 2015 issue of The Environmental Notice. A Final EA and Finding of No Significant Impact (FEA-FONSI) is anticipated for publication in the September 23, 2015 issue of The Environmental Notice. Among the issues raised in the review comments were the adequacy of the TIAR, impacts on the residents of Imperial Plaza, the adequacy of infrastructure to support the Project, parking in the area, HCDA's approval of the Project, an outstanding requirement for an Archaeological Inventory Survey, and other concerns. All review comments were responded to by the applicant in accordance with Section 11-200-9.1, Hawaii Administrative Rules (HAR).

### III. DISCUSSION

- A. On June 8, 2015, the Developer submitted an application for a DURF interim loan to partially finance the construction of the Project (Exhibit D).
- B. The Project will be located within the Central Kakaako neighborhood under the Mauka Area Plan, which is composed primarily of small lots surrounded by predominantly commercial retail uses with scattered multifamily residential, commercial office and light industrial uses. The Project is in proximity to public

transit, the proposed Civic Center rail station, parks, retail amenities, auto dealerships, entertainment, employment, and other goods and services. All units will be FHA accessible/adaptable, with a minimum of 5% fully accessible per the Americans with Disabilities Act and Architectural Barriers Act accessibility guidelines, and will include air conditioning, carpeting, and Energy Star appliances, such as a refrigerator, electric stove/oven, dishwasher, garbage disposal and washer/dryer, and high efficiency lighting systems.

- C. Franco Mola is the principal and sole shareholder of both CRP and MJF. MJF is the managing member of Eight Zero Three Waimanu, LLC, the ownership entity and the borrower of the DURF loan for the Project. A list of housing development experience of the Developer is attached as Exhibit E. The Developer's completed projects in Hawaii include the 176-unit Kulana Hale Senior Affordable rental community in Honolulu, and the Kekuilani Village IV at Kapolei, which includes 609 single-family homes, condominiums, and apartments. The Developer has a track record of demonstrating a credible ability to secure financing for a multitude of projects.
- D. The Developer has engaged 803 W, LLC, as an equity partner in the Project under an Operating Agreement of Eight Zero Three Waimanu, LLC, dated February 12, 2015, which sets forth the capital contributions, internal operations, distributions, and other obligations and responsibilities of the members. 803 W, LLC, is a subsidiary of LIST Co., Ltd., a leading real estate and development company in Kanagawa, Japan. Established in 1991 by Mr. Hisashi Kitami, LIST Co., Ltd. has developed and sold over 7,000 condominium and housing units in Japan. Under the Operating Agreement, the Developer will manage the overall Project and List International Realty Inc. will serve as the exclusive real estate broker for all residential sales. Adding to its sales capacity in Hawaii, the LIST Co., Ltd. acquired Kahala Associates and Mary Worrall Associates Hawaii, luxury real estate firms. Together, the sales force has offices and agents in Hawaii and Japan and a network of buyers and sellers in 53 countries and territories including Hong Kong, Taiwan and China in addition to the clientele of Sotheby's Auction House. The List family of companies will provide the sales force and experience to handle all aspects of the Project's condominium sales.
- E. The proposed financing structure is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 3,841,629	
Construction Loan from ASB	26,130,101	
DURF	9,189,590	
Homebuyer Deposits	-	
Cost Deferred Until Sales	1,038,835	
Gross Sale Revenue		\$46,578,455
<b>Total</b>	<b>\$40,200,155</b>	<b>\$46,578,455</b>

- F. The proposed Project Budget and Use of Funds are as follows:

Budget/Cost Item	Amount	Per Sq. Ft.	%
Land	\$ 4,812,000	\$ 51.96	12
Demolition	105,960	1.14	0
Entitlement/Title/Recording	610,000	6.59	2
Construction – Site Work	810,454	8.75	2
Construction – Vertical	20,368,956	219.96	51
Contingency	4,080,213	44.06	10

Permits and Fees	1,860,996	20.09	5
Architectural and Design Costs	529,952	5.72	1
Interim Costs	3,091,724	33.38	7
Soft Costs	1,581,461	17.07	4
Financing Costs	230,500	2.49	1
Developer's Overhead/Fee	2,117,940	22.88	5
<b>Total</b>	<b>\$ 40,200,155</b>	<b>\$ 434.09</b>	<b>100</b>
Cost Per Unit: \$262,746			
Gross Floor Area (s.f.): 92,602			

G. The proposed budget for the DURF loan is as follows:

Budget/Cost Item	Amount	Notes
Construction (21% of TDC)	\$8,444,563	Sum of construction draws
DURF Loan Origination Fee	91,896	1% of total loan amount
Administrative Fee	153,000	\$1,000 per unit
DURF Interest	457,908	4%, compounded monthly
Loan Extension Fee	42,223	.5% of outstanding balance
<b>Total Loan Amount</b>	<b>\$9,189,590</b>	

H. American Savings Bank (ASB) provided the Developer a proposed terms and conditions sheet, dated May 29, 2015, for a senior secured construction loan for the Project in the amount of \$26.1 million. The security for the loan is an ALTA first mortgage lien over the Project and improvements thereon and assignment of all construction related documents, sales contracts, escrow deposits, and partnership interests. ASB's presale requirement provides that the Borrower shall have entered into non-contingent binding sales contracts with pre-approved buyers which provide not less than \$37.3 million of gross sales proceeds, and the affordable and market rate unit sales must each be at least 65% of presales. Additionally, the studios (62) without parking shall be 100% pre-sold.

I. The Developer's net sales revenue (i.e., total sales revenue less cost of sales) amount to \$44,794,594. The debt coverage ratio for the ASB and the DURF loans combined is 1.3. The debt coverage ratio of the DURF loan amount is 2.1 (assuming total payoff of the senior debt). After closing costs, senior debt and DURF are paid off, approximately \$10.2 million will remain to pay equity principal and profit. This equates to 22% of net sales revenue.

J. The total debt over total development cost is 87.79% (i.e., \$35,329,000 / Total Project Cost of \$40,200,155 = 87.79%). An appraisal of the Project will be required as a condition prior to closing of the DURF loan. The appraised value will be used to determine the loan-to-value (LTV) ratio of the DURF interim loan and the senior loan. This ratio should not exceed 87.79%.

K. This For Action seeks the following DURF interim loan terms for the Project:

1. Borrower: Eight Zero Three Waimanu, LLC, or other entity approved by the Executive Director
2. Loan Amount: Up to \$9,190,000
3. Form of Loan: Second mortgage non-recourse loan secured by the fee simple interest in the property, improvements and chattels.
4. Interest Rate: 4.0% per annum and compounded monthly.

5. Loan Term: Eighteen months. Two optional six (6) month extensions, at the sole discretion of the Executive Director, subject to a loan extension fee of 0.5% of the then outstanding loan balance for each extension.
  6. Origination Fee: 1.0% of the total loan amount, payable upon the closing of the loan.
  7. Administrative Fee: One-thousand dollars per unit (total \$153,000), payable upon the closing of the loan.
  8. Presale Requirement: Prior to disbursement of any DURF loan funds, the Borrower shall have entered into at least 70% presales of the affordable units and 70% presales of the market units under binding sales contracts with the total aggregate presales of both the affordable and market rate units equal to at least 107 units, under binding sales contracts, which sales shall provide gross sale proceeds of not less than \$37.3 million and sufficient to cover the combined total of the senior loan and the DURF loan. Additionally, all studios without parking (62 units) shall be 100% pre-sold.
  9. The Project shall provide no less than 101 affordable units, of which at least 77 units shall be subject to HHFDC buyback and Shared Appreciation Equity restrictions. Of the total 77 units restricted by HHFDC, at least 62 units shall be offered to household earning a maximum of 80% AMI, at least 12 units shall be offered to households earning a maximum of 100% AMI, and at least 3 units shall be offered to households earning a maximum of 110% AMI.
  10. Borrower shall provide to HHFDC an ALTA Lender's policy of Title Insurance with a mechanic's lien endorsement, issued by a title insurer acceptable to HHFDC, insuring the lien priority of the loan behind the primary construction lender and against statutory liens for labor or materials for the improvement of the property caused by the visible commencement of operations prior to closing of the DURF loan.
  11. Borrower shall provide evidence that Borrower's required cash equity contribution has been injected for disbursement of budgeted costs prior to or upon closing of the loan. Subject to HHFDC approval and senior lender's terms, homebuyer deposits may be used to offset the Borrower's required cash equity contribution.
  12. Other terms and conditions set forth in the DURF loan documents.
- L. The Project's development team includes:
1. Developer: MJF Development Corporation  
Franco Mola, Principal
  2. EA/DURF Consultants: Hawaii Planning LLC  
Dennis Silva, Jr.  
  
Zen Sawyer Consulting LLC

- 3. Architect: Block 16 Architects & Urbanists  
Stuart Alderman, Principal
- 4. General Contractor: Not decided.
- 5. Sales Broker/Realtor: List International Realty, Inc.
- 6. Management Agent: Hawaiiana Management Company, Ltd.  
Phyllis Okata Kacher, Agent

M. The Developer purchased the property (consisting of three parcels) in February 2015 for \$4,812,000, of which \$2,412,000 was paid in cash and the remainder (\$2.4 million) through a mortgage loan from Bank of Hawaii. The property had 2014 and 2015 property tax assessment values of \$4,056,000 and \$4,370,400, respectively.

N. The Developer’s market study prepared by Novogradac & Company LLP, dated April 14, 2015, found that there is adequate demand in the primary market area for the Project based on achievable pricing for both the affordable and market rate units, with good and achievable capture rates. In terms of comparable property characteristics, the Project will offer slightly inferior in-unit and common area amenities in comparison to the comparables. Overall, however, the units in the Project are expected to be well-accepted, should compete well in the Honolulu condominium market, and the achievable pricing is within the range of closed sales at the comparable properties. The study further found that the 62 studio units without parking will be among the lowest priced condominiums in the market and that there is currently no available or planned inventory of restricted condominium units targeting households at or below 80% AMI. The studio units without parking will be approximately \$20,000 lower than the next highest studio units (those at 100% AMI that will have parking) and approximately \$65,000 lower than comparable unrestricted studio units. The study concludes that the Project’s studio units without parking will be marketable at the concluded achievable pricing.

O. The Developer intends to apply for exemptions from GET taxes for the development of the Project pursuant to Section 201H-36, HRS, and Chapter 15-306, HAR. Pursuant to Section 15-306-2, HAR, at least 60% of the total units in the Project must be sold to households with incomes of up to 140% of the AMI to be eligible for GET exemptions. At 101 Affordable Units, the Project will comply with the 60% minimum affordable requirement. Should the Developer default on the DURF loan, GET exemptions for the Project shall cease and previous GET exemptions approved by HHFDC shall be subject to recovery by HHFDC.

P. The estimated project schedule is as follows:

Process	Date
Projected Building Permit Approval	February 2016
Closing of Construction Financing	February 2016
Construction Start	February 2016
Construction End/Occupancy Permit	April 2017

Q. The Developer’s past and current involvement with HHFDC include the following:

1. Kekuilani Village IV: The project consisted of 609 single-family homes, condominiums and apartments. It utilized a DURF construction loan from HHFDC and was completed in 1995.
  2. Kulana Hale Phase 1: A 176 unit affordable senior rental project completed in 1997. HHFDC approved proceeds from 9% LIHTC and RHTF for the project.
  3. Ohana Hale: On March 12, 2015, the HHFDC Board of Directors approved the Developer as an Eligible Developer and the proposed project, including the Developer's proposed exemptions, for processing under the provisions of Chapter 201H, HRS. On May 14, 2015, the HHFDC Board of Directors approved a DURF interim loan in the amount of \$16.1 million.
  2. Kapolei Mixed-Use Project: On January 8, 2015, the HHFDC Board of Directors approved a Rental Housing Trust Fund Project Award loan of \$10.68 million for the project. On June 16, 2015, the Developer submitted a request to HHFDC for approvals from certain exemptions from statutes, ordinances, and rules for the project pursuant to Section 201H-38, Hawaii Revised Statutes (HRS). HHFDC staff is processing the application.
- R. On February 9, 2012 the HHFDC Board of Directors approved a policy to establish an uncommitted cash reserve of \$10 million in the Dwelling Unit Revolving Fund to manage risk exposure and ensure an adequate amount of funds for loan commitments, ongoing maintenance expenses, administrative expenses, and contingencies. The Board may permit exceptions to the \$10 million cash reserve provided the need is justified and the implications relative to the functional management of the DURF are considered.
- S. The DURF Sub-Committee established the following review guidelines for consideration in managing risk exposure for proposed DURF loans. Staff's discussion and risk assessment for the subject loan request are noted for each review factor.

REVIEW GUIDELINES	DISCUSSION	RISK LEVEL
RESERVE ANALYSIS	The \$10 million reserve is a benchmark. The DURF cash balance does not drop below \$10 million for the proposed duration of the DURF loan, and will not reduce the net cash flow balance to the extent that ongoing HHFDC operations would be significantly impacted.	Low
RISK ASSESSMENT		
Source of repayment	The DURF loan will be repaid by unit sales in the Project. A concurrent closing of the primary loan will be required prior to closing and an ALTA lender's policy of title insurance will be required.	Low
Key credit risks	The DURF loan will not close until presale requirements are met, the Project has received the necessary permits and approvals, a 100% performance and payment bond is issued, and a concurrent closing of the primary construction loan will be required. The Developer's fee (not overhead) will be held back until the DURF loan is paid in full.	Low



Restructure Alternatives	The proposed eighteen month loan term should provide sufficient time for the Developer to complete the Project, close its permanent financing of unit sales, and pay off the senior debt and DURF loan. The two six-month extension options would be available should there be a need for additional time.	Low
<b>PROJECT FACTORS</b>		
Entitlement Status	The property is zoned for the proposed Project. The Developer has obtained a development permit from HCDA, and is in the process of securing all permits for construction. The Developer is qualified and has a proven track record of securing necessary permits and approvals.	Low
Developer Qualifications	Developer is qualified to undertake the Project and has successfully completed similar projects in Hawaii and the Western United States.	Low
Project Feasibility	Financing plan shows sufficient margins and market data supportive. Cost and revenue items are documented and financial partners lined up.	Low
<b>LOAN FACTORS</b>		
Loan Risk	The DURF loan will be repaid from unit sales in the Project. Presale requirements shall be met prior to release of DURF loan funds.	Low
Security of Loan	Second Mortgage	High
Loan Amount	Loan amount of \$9.19 million represents 10.9% of DURF cash balance as of July 31, 2015 (\$84,249,518). Loan amount is 22.8% of Project cost.	Moderate
<b>MARKET FACTORS</b>		
Project Location	Project location is near transit and ancillary services.	Low
Targeted Income Class	There is a large pool of buyers that fall within the target affordable range of incomes between 80% and 140% of HUD AMI. Surrounding area has some units available in these categories but the demand is still there for additional units.	Low
Market Risk	Project pricing is close to the comparable area market pricing. There may be uncertainty in the market demand for studio units without parking. However, market study supportive.	Moderate
<b>MILESTONE</b>	Staff recommends that prior to the release of DURF funds the Developer satisfy presale requirements, provide an appraisal, inject the required cash equity contribution, and close the primary loan concurrently with the DURF loan.	None

T. HHFDC finds the following:

1. That the Borrower is an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR);
2. That the Developer's request meets the minimum proposal requirements pursuant to Section 15-307-26, HAR.

#### IV. RECOMMENDATION

That the HHFDC Board of Directors approve Eight Zero Three Waimanu, LLC, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR, and a Dwelling Unit Revolving Fund interim loan of up to a total of \$9,190,000 for the proposed 803 Waimanu affordable for sale condominium

project, located in Kakaako, Oahu, TMK No.: (1) 2-1-049:050, 070, and 072, substantially as described in this For Action, subject to the following:

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor;
- C. Approval and execution of necessary loan documents by the Executive Director;
- D. Developer shall provide to HHFDC (prior to closing of the DURF loan) an appraisal acceptable to HHFDC, which shall include estimates of the completed retail value and the bulk sales value of the completed Project. The LTV of the DURF interim loan and all mortgages and payments with priority before the DURF loan shall not exceed 87.79% of the appraised bulk value prior to closing, unless otherwise approved by the Executive Director.
- E. Closing of the DURF interim loan shall be concurrent with the closing of the primary construction financing, unless otherwise approved by the Executive Director;
- F. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director; and
- G. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

*including any relevant provisions of the HEDA development permit, any updated Traffic Impact Analysis Report, and sewer and drainage infrastructure requirements that may be required by the City & County of Honolulu,*

Attachments: Exhibit A – Location Map  
 Exhibit B – Site Plan and Perspective Renderings  
 Exhibit C – HCDA and HHFDC Comparison  
 Exhibit D - DURF Application Request  
 Exhibit E – Developer’s Housing Development Experience

Prepared by: Ken Takahashi, Project Manager KJ

Reviewed by: RP Richard Prahler, Development Branch Chief RP

Approved by The Board of Directors at its meeting on SEP 10 2015 *as amended*

**DEVELOPMENT BRANCH**

Please take necessary action.

  
 EXECUTIVE DIRECTOR



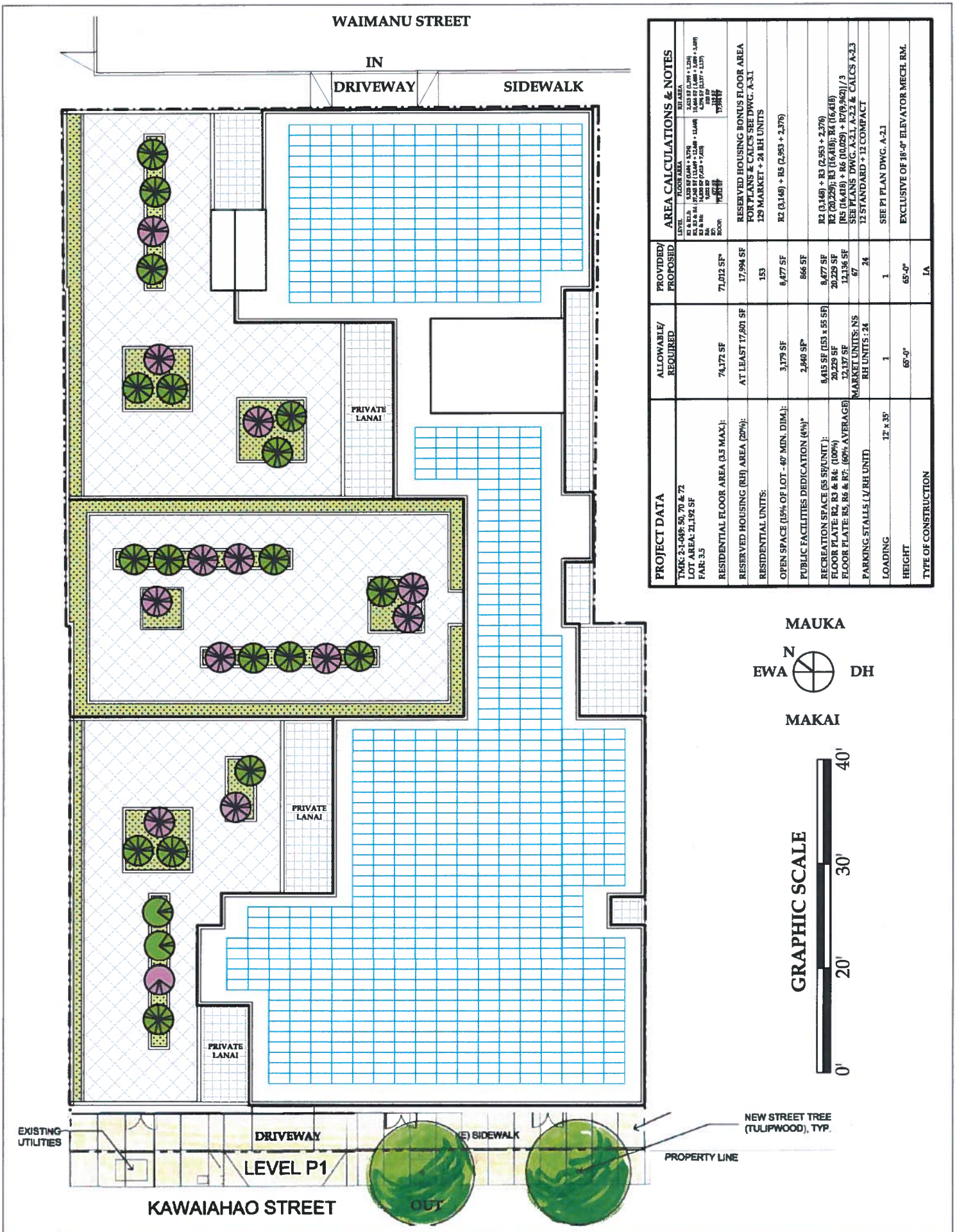


Figure 2 - Site Plan

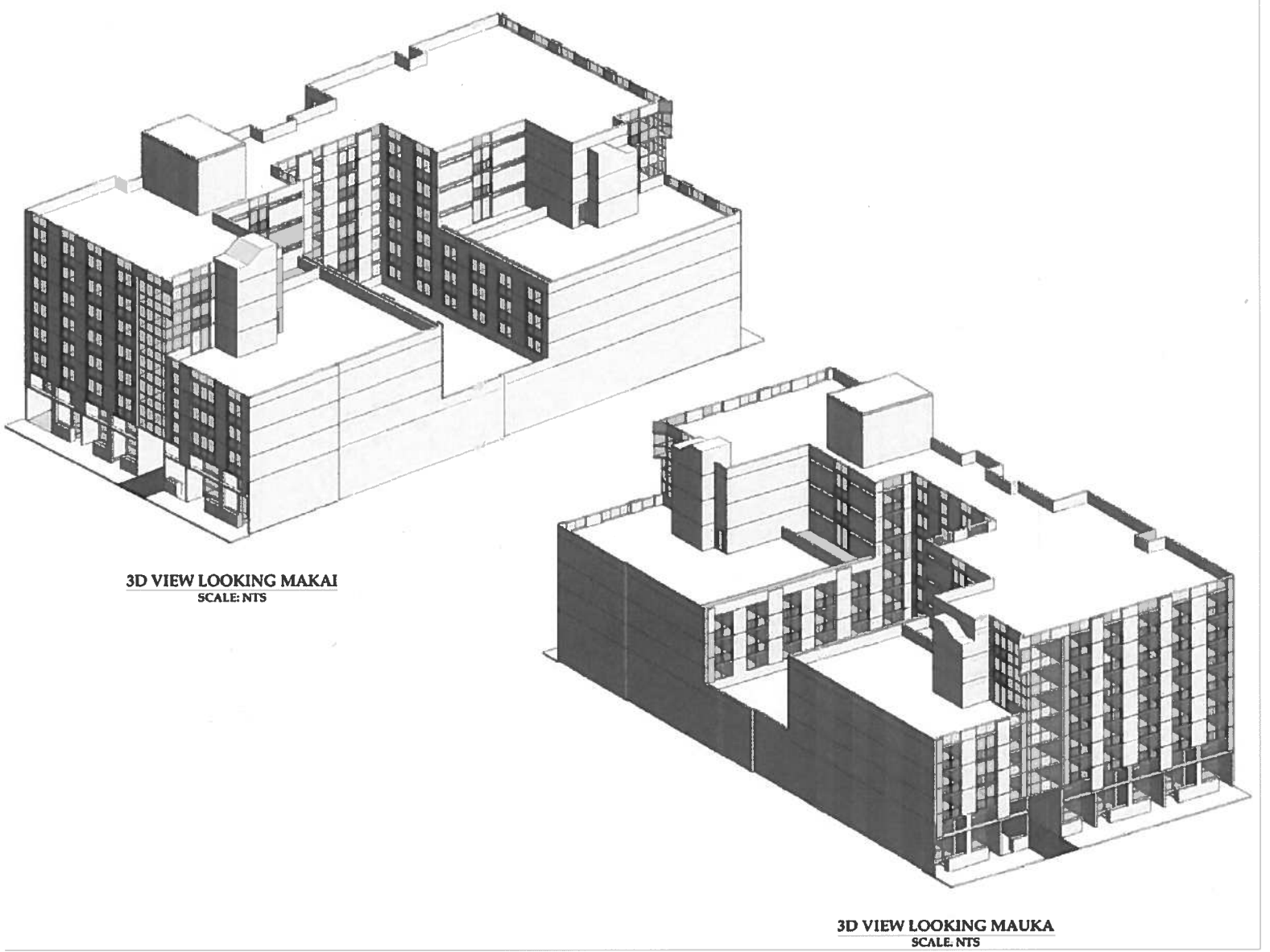


Figure 4a - Rendering

**EXHIBIT B**

## HCDA and HHFDC Affordable Housing Programs

Program Feature	HCDA Reserved Housing	HHFDC Restricted Housing
Income Restrictions	Households must have gross income lower than the maximum income on a given unit. Maximum income for a given unit is determined using an assumed household size and a percentage of the area median income (eg. 120% of AMI), as determined by HCDA. HCDA uses different AMI's than HHFDC.	Households must have gross income lower than the maximum income on a given unit. Maximum income for a given unit is determined using an assumed household size and a percentage of the area median income (eg. 120% of AMI), as established by HHFDC using HUD 50% AMI. Assumed occupancy is 1 person per studio, 2 persons per 1-bedroom; 3 persons per 2-bedroom.
Other Restrictions	18+ years of age, must not have owned principal residence in prior 3 years, owner-occupant, assets may not exceed 135% of the applicable income limit.	Qualified Resident: US Citizen or resident alien, 18+ years of age, owner-occupant, does not own a majority interest in any property anywhere in the world, has not previously purchased a property from HHFDC.
Buy Back Provision	5 Years. Right of First Refusal to purchase at lower of fair market price or the Reserved Housing unit price based on the AMI at the time of sale (see Maximum Affordable Price calculation, below)	HHFDC has a 10-Year option to repurchase the unit if the owner desires to sell the property. During this period, owner occupancy requirement, consent to future financing requirements and transfer requirements are in place. Repurchase price is the sum of the (i) original purchase price; plus (ii) capital improvements; plus (iii) simple interest on the original purchase price and capital improvements at 1% per year.
Shared Equity Appreciation (SAE)	In effect until HCDA is paid its share of the appreciation and releases the restriction. Pro rata share of any future appreciation is calculated upon original sale of the unit, based on any discount from market rate (i.e. if the unit is sold 10% below market rate, HCDA is generally entitled to 10% of any future appreciation). HCDA sets a minimum for the SAE based on the actual discount from	In effect until HHFDC is paid its % share of the net appreciation and releases the restriction. HHFDC's % share is calculated during the initial purchase of the property (house and lot or apartment) and is the difference between 100% and the Buyer's % share. Example: Buyer's initial purchase price is \$300,000 and the fair market value is \$450,000. The Buyer's %

	market at the time of original sale (for example, \$50,000).	share is \$300,000/450,000 or 67%. HHFDC's % share is 100%-67% or 33%. HHFDC's 33% is applied to the future net appreciation of the property at the time of future sale or desire by owner to pay it off. Net appreciation is the current fair market value less the original purchase price of the property. HHFDC's % share is then applied to the net appreciation.
Term of Restrictions	5 years (though SAE provision can extend longer than 5 years)	Until the buyback automatically expires after 10 years and SAE provisions are satisfied and a release is filed at the bureau of conveyance.
Maximum Affordable Price (MAP) Calculation	The MAP is calculated using an assumed household at the maximum income level for a given unit. The total housing expense, including principal and interest, property tax, HOA fees, mortgage insurance, and homeowner's insurance, may not exceed 33% of gross income for the assumed household. A 30 year mortgage at the average rate for the past 6 months with a 10% down payment is assumed to calculate the MAP.	The MAP is calculated using an assumed household at the maximum income level for a given unit. Occupancy is assumed at 1 person per studio, 2 persons per 1-bedroom; 3 persons per 2-bedroom. 28% of gross household income is equivalent to the mortgage payment for the MAP, assuming a 30 year mortgage at current rates with 5% down payment. The total housing expense, including principal and interest, property tax, HOA fees, mortgage insurance, and homeowner's insurance, may not exceed 38% of gross income for the assumed household. The MAP must be calculated so it passes the 28% and 38% test.
Maximum % of Homebuyer Income Allowable for Total Cost of Housing	33%	N/A

**EXHIBIT C**

## MJF Development Corporation

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May 27, 2015

RECEIVED  
HAWAII HOUSING FINANCE  
DEVELOPMENT CORP

Mr. Craig K. Hirai, Executive Director  
Hawaii Housing Finance and Development Corporation  
677 Queen Street, Suite 300  
Honolulu, Hawaii 96813

2015 JUN -8 3:53

Re: Consolidated Application for DURF Financing

Dear Mr. Hirai:

MJF Development Corporation ("MJF") is pleased to submit the enclosed application for DURF financing for the "803" condominium development at 803 Waimanu Street in Honolulu. The project will be comprised of 153 units, 51% of which (77 units) will be restricted by HHFDC as affordable to households with incomes below 110% of AMI. An additional 24 units will be restricted by HCDA as Reserved Housing. DURF is proposed as a construction financing source and will be repaid upon sale of the condominium units.

We are excited about this opportunity and about working with the HHFDC to create long term solutions to meet Hawaii's affordable housing objectives. It is our sincere hope that this application gives you a sense of our experience, resources, and commitment to high quality performance. Should you have any questions please do not hesitate to contact me.

Sincerely,



Franco Mola  
President

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16601 Gothard Street, Suite F, Huntington Beach, CA 92647  
Mailing Address: PO Box 6468, Huntington Beach, CA 92615  
Phone 714-843-5769 - Fax 714-843-5724

EXHIBIT D



## Exhibits 8 and 9 Housing Development Experience

Name: MJF Development Corporation

*Copy format and add pages as needed*

	Name of Property Address	Capacity of Applicant/ Developer	Type of Project	City, State	Number of Units		Financing/ Subsidy Program Utilized	Status of Project
					Affordable	Market Rate		
1	San Joaquin Villas	Developer Consultant and General Contractor	21 affordable for-sale condos	Firebaugh, California	21	0	City Redevelopment Funds; Grants; HOME	Completed 2011
2	Village Green Phase III	Developer and General Contractor	162 bed congregate care & Alzheimer facility	Gilroy, California	0	162 bed	Health Care REIT financed construction and perm	Completed 2008, currently operating
3	Village Green Phase I	Developer and General Contractor	75 senior apartments	Gilroy, California	75	0	CA Housing Bonds; LIHTC	Completed 2003, currently operating
4	Village Green Phase II	Developer and General Contractor	76 single family cottages; 35 sold below market rate	Gilroy, California	35	41	Construction loan from Heritage Bank	Completed 2004
5	The Mercer	Developer Consultant	200 luxury apartments; 17,000 sf commercial	Mercer Island, Washington	0	200	Owner Equity; Freddie Mac loan	Completed 2006, currently operating
6	Kulana Hale Phase I	Developer/Owner	176 affordable senior apartments; 1,200 sf retail; 10,000 sf office	Honolulu, Hawai'i	176	0	9% LIHTC; conventional loans; RHTF	Completed 1997, currently operating
7	Kulana Hale Phase II	Land Developer	162 assisted living units	Honolulu, Hawai'i	n/a	n/a	n/a	Sold 2005
8	Kekuilani	Developer	321 Single Family Homes; 152 Condominium; 136 Apartments	Kapolei, Hawai'i	609	0	State of Hawai'i construction loan	Completed 1995, currently operating

	Name of Property Address	Capacity of Applicant/ Developer	Type of Project	City, State	Number of Units		Financing/ Subsidy Program Utilized	Status of Project
					Affordable	Market Rate		
9	Seabridge Villas	Developer and General Contractor	334 affordable apartments; 68 market rate condos; 5,000 sf recreation center	Huntington Beach, California	334	68	City of Huntington Beach Tax Exempt Bond	Completed 1989, currently operating
10	Town Square	Developer	89 market rate rental units and 10,000 sf of retail	Huntington Beach, California	40	49	Expedited Entitlements	Completed 1989, currently operating

**EXHIBIT E**