STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KAKAAKO
Honolulu, Hawaii, 96813

August 2, 2017

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUBJECT:

Shall the Authority Authorize the Executive Director to Enter Into an Agreement with the Hawaii Housing Finance and Development Corporation (HHFDC) to 1) Serve as the HCDA’s Designated Buyback Authority to Repurchase and Resell Any Rycroft Terrace Reserved Housing Units Sold During the Regulated Term, in Accordance with HHFDC’s Affordable Housing Program and Subject to HHFDC’s Acceptance of the Condition of the Unit, and 2) If HHFDC determines that buyback is not feasible, HCDA’s Executive Director may waive HCDA’s first right to buyback?

SUMMARY:

With the 10-year Regulated Terms governing all Reserved Housing Units at Rycroft Terrace, the HCDA will continue to have the first option to buyback any such unit sold within the next seven years. The HCDA has just exercised its option to buyback a third unit. To expedite the buyback process of this third unit and others in the future, the HCDA would like to expand the previous Board’s decision to include all Reserved Housing Units at Rycroft Terrace.

AUTHORITIES:

Hawaii Administrative Rules (HAR) § 15-22-186(c)(1) states that during the regulated term, “If an owner wishes to transfer title to the reserved housing unit, the authority or a governmental agency approved by the authority shall have the first option to purchase the unit[.]”

On April 5, 2017, the Board authorized the executive director to negotiate and enter an agreement with HHFDC to serve as HCDA’s designated buyback authority to repurchase and resell two Reserved Housing units in Rycroft Terrace during the Regulated Term, in accordance with HHFDC’s Affordable Housing Program. The Board, also, authorized working with HHFDC on negotiating a broader agreement. The minutes for the April 5, 2017, Kakaako Meeting are attached hereto as Exhibit A.

BACKGROUND:

The HCDA and HHFDC executed a Memorandum of Agreement (MOA) on May 3, 2017 to facilitate the buyback of two units in Rycroft Terrace. The executed MOA is attached hereto as
Exhibit B. This MOA was limited to Rycroft Terrace Units “A” and “B,” in accordance with the Board’s decision on April 5, 2017. The MOA stipulates that the purchase price shall be based upon the formula in HAR § 15-22-186(c)(1).

By rule, the purchase price is the **lower** of:

(A) The current fair market value of the reserved housing unit less the authority's share of the equity in the unit as determined by HAR § 15-22-187 of this chapter; or

(B) The original sales price of the reserved housing unit adjusted, proportionately, to the change in median income computed from the date of the purchase to the date of the sale.

Rycroft Terrace Unit A is currently in escrow, with an estimated closing date of August 21, 2017. HHFDC’s purchase price for Unit A is $216,515, in accordance with Calculation B cited above.

Rycroft Terrace Unit B will soon be in escrow, with a closing date, sometime, in September 2017. HHFDC’s purchase price for Unit B is $162,391, in accordance with Calculation B cited above.

The HCDA was recently approached by a third Reserved Housing Unit Owner at Rycroft Terrace wishing to sell his unit (Unit “C”) during the Regulated Term. An appraisal is now underway to determine Current Fair Market Value to calculate the purchase price. HHFDC will then determine whether repurchasing Unit “C” at the set purchase price is financially feasible. If the Authority approves the subject motion, HCDA’s/HHFDC’s first option to repurchase the Reserved Housing Unit may be waived if the repurchase of the unit is deemed unfeasible.

Expanding the MOA beyond Rycroft Terrace Units “A” and “B” would prevent closing delays for those Reserved Housing Unit Owners at Rycroft Terrace who are forced to sell prior to the end of the regulated term. With 162 Reserved Housing Units at Rycroft Terrace regulated until the year 2024, this is likely only the first round of buybacks over the span of the regulated term. The MOA as written accurately captures the intent of the agreement between HCDA and HHFDC and could be applied to all units within Rycroft Terrace.

As stated in the MOA, HCDA’s Reserved Housing Rules would be lifted from the Unit upon resale to HHFDC. The Unit would then become an HHFDC-regulated unit and be sold to a qualified resident as defined in HRS 201H-32, whose income does not exceed a maximum of 140% AMI at a price calculated by the HHFDC. HHFDC would strive to resell the unit to the original AMI category served when HCDA set the guidelines for that particular unit, or the next higher AMI category that would allow HHFDC to cover its costs under this program.

HHFDC’s affordable housing program contains both a regulated term and a shared equity provision, much like HCDA’s Reserved Housing Program. Under HHFDC’s program, each unit is subject to a 10-year regulated term and a fixed percentage of shared appreciation equity (SAE) that may be paid at any time after HHFDC’s initial resale to a qualified resident purchaser approved by HHFDC, but is due and payable upon sale or transfer as stipulated by HAR § 15-307-125.
The MOA between HHFDC and HCDA produces the following benefits for both agencies:

HCDA Benefits
1. HCDA does not need to procure services for a real estate broker to conduct the buyback and resale of applicable Reserved Housing Units.
2. HCDA does not need to create a program to manage buyback and resale of applicable Reserved Housing Units.
3. HCDA does not need to expend any funds on repurchasing or reselling Reserved Housing Units.
4. Reserved Housing Unit owners and potential buyers gain the expertise and knowledge base of HHFDC, resulting in more timely transactions. This is especially important considering the two pending buybacks.
5. Reserved Housing Units are regulated for 10 additional years under HHFDC, regardless of the current Regulated Term.
6. HCDA can focus its limited resources on maximizing its assets and working to cause more housing units to be built.

HCDA Losses
1. HCDA does not collect shared equity from each Reserved Housing Unit sold during the Regulated Term, which may or may not be a net benefit when considering market values, holding costs, and subsidized resale.

HHFDC Benefits
1. HHFDC adds additional affordable housing units to the state’s existing stock.
2. More units are kept affordable for longer with HHFDC’s 10-year regulated term.
3. HHFDC gains any profit from the resale of the Unit, including the shared equity that would originally be due to HCDA, which would be utilized for the development of additional housing units.

HHFDC Losses
1. HHFDC staff takes on the administrative burden of managing the program for an unknown number of Reserved Housing Units at the Rycroft Terrace development.

As Rycroft Terrace is the only development in Kakaako Mauka with 10-year regulated terms for all of its Reserved Housing Units, a majority of the buybacks will occur within this development. Regulated terms for other Reserved Housing Units in Kakaako have either already expired or are less than five years.

**ANALYSIS:**
The Board has previously noted that it is their intention to maintain the affordability of Reserved Housing Units as long as possible. As noted above, an agreement with HHFDC would lengthen the regulated term for any repurchased Reserved Housing Units.
Further, an agreement with HHFDC would alleviate the HCDA staff burden of administering a buyback/resale Reserved Housing Program, which has not yet been established. The creation of such a program would require at least 5 additional full-time staffing positions and would take some time to ramp up.

Such an agreement would provide a win-win for both the HCDA and HHFDC, as HHFDC is currently well equipped to handle the repurchase and resale of HCDA’s Reserved Housing Units. In return for the additional staff workload, HHFDC would benefit from the proceeds of the resale, which would include HCDA’s shared equity. Although HCDA would lose this source of funding, HCDA would also not need to expend funds to procure the services of a real estate broker and additional staff. The costs for both of those items would likely far exceed the losses of the shared equity resulting from such an agreement.

**RECOMMENDATION:**

HCDA staff recommends the Board:

Authorize the Executive Director to Enter Into an Agreement with the Hawaii Housing Finance and Development Corporation (HHFDC) to Serve as the HCDA’s Designated Buyback Authority to Repurchase and Resell Any Rycroft Terrace Reserved Housing Units Sold During the Regulated Term, in Accordance with HHFDC’s Affordable Housing Program and Subject to HHFDC’s Acceptance of the Condition of the Unit.

Respectfully submitted,

[Signature]

Lindsey Doi
Asset Manager

**APPROVED FOR SUBMITTAL:**

[Signature]

Jesse K. Souki, Executive Director
Hawaii Community Development Authority

Attachments:

Exhibit A- Minutes of the April 5, 2016 Kakaako Meeting of the HCDA
Exhibit B- Memorandum of Agreement Between HCDA and HHFDC Dated May 3, 2017
Minutes of a Regular Meeting
of the Members of the
Hawaii Community Development Authority
State of Hawaii

Wednesday, April 5, 2017

KAKAAKO BUSINESS

I. CALL TO ORDER/ROLL CALL

A general business meeting of the Kakaako Members of the Hawaii Community Development Authority ("Authority" or "HCDA"), a body corporate and a public instrumentality of the State of Hawaii, was called to order by Chair Whalen at 9:49 AM April 5, 2017 at Authority’s principal offices at 547 Queen Street in Honolulu, Hawaii, 96813, pursuant to Article IV, Section 1 of the Authority’s Bylaws.

**Members Present:**

1. John Whalen  
2. Steven Scott  
3. Mary Pat Waterhouse  
4. Beau Bassett  
5. Wei Fang  
6. Laurel Johnston  
7. William Oh  
8. Jason Okuhama  
9. Kathy Sokugawa  
10. David Rodriguez

**Others Present:**  
Jesse Souki, Executive Director  
Mike Wong, Deputy Attorney General  
Deepak Neupane, Kakaako Planning Director  
Lindsey Doi, Asset Manager  
Aedward Los Banos, ASO  
Garett Kamemoto, Communications and Community Outreach Officer  
Francine Murray, Communications and Community Assistant  
Ku’ulei Moses, Secretary  
Laura Savo, Court Reporter

II. APPROVAL OF MINUTES

1. Kakaako Regular Meeting of January 4, 2017
Meeting minutes were approved as presented.

2. Kakaako Regular Meeting of March 1, 2017

Meeting minutes were deferred until next meeting.

III. ACTION ITEMS

3. Shall the Authority Authorize the Executive Director to Expend Up to $160,000 from the Hawaii Community Development Revolving Funds, to Retain a Consultant to Assist the Hawaii Community Development Authority (HCDA) in Complying with the State Department of Health National Pollutant Discharge Elimination Systems General Permit Requirements for the Kakaako Community Development District and Kewalo Basin Harbor Small Municipal Separate Storm Sewer Systems?

Mr. Deepak Neupane presented the staff report provided in the board packet under tab 3. Mr. Neupane explained that this was a permit requirement that HCDA has been administering since 2008. Some of the remnant parcels have not been dedicated to the City and County and the storm drain inlets are located in those parcels are owned by HCDA. The requirement is that HCDA administer the program to meet the requirement of EPA.

Mr. Neupane added that a resolution has been submitted to the 2017 legislature to transfer the parcels to the City and County, but believed that the resolution was not going anywhere. HCDA has been in discussions with the City and County about transferring the land. Previous discussions have not been great but HCDA will continue to try.

Member Fang asked how long the contract term was for.
Mr. Neupane said this was 1 year contract.

Member Bassett asked if this is done yearly, he could not recall addressing these in the past.
Mr. Neupane confirmed and believed the Authority approved the contract with the option of three extensions. This time around staff is only asking for a 1 year contract. HCDA may be able to transfer this parcel to the City and County through the resolution, or an extension to this contract will be brought back to the board for approval.

Chair Whalen asked if one possibility was to amend the recommendation to allow extension of the contract if HCDA is unsuccessful in getting this transferred to the City and County.
Mr. Neupane confirmed that the Board could amend the recommendation or the motion to allow for additional years in the contract.
Member Sokugawa asked Mr. Neupane how he came up with $160,000.
Mr. Neupane explained that HCDA had gone through the procurement process and selected and negotiated a scope and fee. It is also consistent with what the consultant fee was in the previous years.

Vice Chair Scott asked what they do.
Mr. Neupane explained that the consultant will be updating the monitoring plan as well as monitoring the construction projects.

Member Bassett asked if the $160K would be funded by the leasing and management or the public facilities dedication subaccount and if there is potential for it to come out of the public facilities fund.

ED Souki explained that, HCDA has used the revolving fund.
Neupane said it was coming from the improvement district subaccount.

**MOTION:**
Member Bassett made a motion that the Authority authorize the executive director to expand up to $160,000 from the HCDA revolving fund, specifically the improvement district fund, to retain a consultant to assist HCDA in complying with the State Department of Health, National Pollutant Discharge Elimination Systems general permit requirements for Kakaako Community Development District and Kewalo Basin Harbor small municipal separate storm sewer systems.
Vice Chair Scott seconded the motion.

Mr. Neupane noted that there was no written testimony for this.
There was no oral public testimony for this item.

Mr. Neupane conducted the roll call vote. Motion passed with 9 votes.

4. Shall the Authority Authorize the Executive Director to Amend the Planned Development Agreement for 404 Piikoi, Phase IV to Allow Additional Time for Hale Kewalo, LP to Close All Financing Required for Development of Hale Kewalo Project?

Deepak Neupane summarized the staff report for this item under tab 5 of the Board packet. He explained that this was basically a development agreement that was amended.

Vice Chair Scott asked what the timing was for getting the financing approved and starting the project.

Stanford Carr, with Stanford Carr Development, responded that they were resuming coordination calls for bond closing with HHFDC, the bond underwriters bond counsel, HUD, PNC Bank, and American Savings, the purchasers of the federal and state tax
credits. They obtained approval as of the end of March, and were looking at end of August, no later than September, closing.

Vice Chair Scott asked because he is right across the street from that location and has been wondering for a long time when something was going to happen.

Member Waterhouse asked why the request was not brought back to the Board before the March 30 deadline.
Mr. Neupane explained that HCDA received the request on March 13, 2017, therefore it was added to the April agenda.

Mr. Carr added that they did not have any definitive dates with HUD.

Member Oh wanted to confirm that the PNC Bank dropped out, or if they were still in the running, especially with devaluation of LIHTC.
Mr. Carr said no, they have a good relationship with PNC Bank. The delay was due to the FEMA map. They are on track now.

PUBLIC TESTIMONY
Jack Hamada a retired senior citizen asked Chair Whalen if the developer applied for a separate project from what was originally approved.
Chair Whalen told Mr. Hamada that there was a permit that was approved for the Hale Kewalo project.
Mr. Hamada testified that this was important, because it was supposed to be for senior citizens. He said this should not be approved.

Vice Chair Scott commented that this is not Mr. Carr’s problem, this was the previous Board’s problem. They should have never been allowed to occupy the Waionua project without building the reserved housing. Stanford Carr came in after the fact.

Mr. Neupane said he would speak to Mr. Hamada.

Member Johnston made a motion to approve this item. Member Oh seconded.

Mr. Neupane conducted roll call for the vote. Motion passed with 9 votes.

5. Shall the Authority Authorize the Executive Director to Negotiate and Enter an Agreement with the Hawaii Housing Finance and Development Corporation (HHFDC) to Serve as the HCDA’s Designated Buyback Authority to Repurchase and Resell Rycroft Terrace Reserved Housing Units Sold During the Regulated Term, in Accordance with HHFDC’s Affordable Housing Program?

ED Souki informed the Board that there are two units that have come up for buyback, and as, HHFDC has expertise in this area, we would like them to step in and do the buyback.
Lindsey Doi presented her report provided in the board packet.

ED Souki added that this is an opportunity for staff and HCDA to shadow what HHFDC does so HCDA can build expertise. Also, the HHFDC’s terms would apply, but these units are under the old rules. So, their terms are not as long as the newer rules.

Chair Whalen commented that it seems like this is a good project to start with.

Member Johnston thanked HCDA for partnering on this because she thinks it is important that the two departments partner. She asked HHFDC what the length of the term was that these remain affordable. If it was forever, she was fine, but it did not sound like it.

Ms. Doi explained that for the 2005 area rules, which the Rycroft Terrance units fall under, have a 10 year regulated term under HCDA’s reserved housing program. Some reserved housing units in HCDA’s development inventory are two years, some are 5 years, and some like Rycroft are 10 years. Member Bassett asked if the request was for the Authority to have this partnership for this one building.

ED Souki said it was for two units. Ms. Doi confirmed that the action would be for the Rycroft Terrace housing units that would come up for purchase during the regulated term. Currently, there are only two. HCDA wanted to limit it to Rycroft Terrace just because it is a pilot.

Member Sokugawa observed that this proposed relationship was comparable to what the City has.

ED Souki added that he did not want to obligate HHFDC. HCDA was still working through the details and it looks positive. If this motion is approved, it is one step closer to getting HHFDC’s board to buy in.

Member Oh asked ED Souki if this partnership is a contract, and if it would be long term. He also asked what was going to happen to the fund dedicated towards the buyback of reserved housing units if this continues in the future.

ED Souki explained that it would be in the form of a memorandum of understanding or similar document.
Member Fang asked if there was a plan to monitor this, would the board or staff be kept up to date, is this included in part of their report when other reserved housing units get bought back and how the board will deem this successful.

Ms. Doi responded that for right now those two units are on the table. If this agreement plays out and can successfully be applied to these two units, then HCDA can report back to the Board and discuss whether it be kept in place for Rycroft Terrace future units.

Member Fang wanted to clarify that this agreement does not apply to the whole building, just to these two units.

Ms. Doi said that this action was not an agreement. It is to negotiate an agreement. HHFDC has to do their due diligence and get the approval of their own board for an agreement. This is the first step, then come to terms to an agreement later.

ED Souki thought what member Fang was proposing was to come back if there was a broader agreement for the entire agreement.

Member Fang said she was just asking if that was the plan.
ED Souki and Ms. Doi confirmed, yes.

Vice Chair Scott asked what the authority would be giving up if the board agreed. Ms. Doi explained that there were benefits and losses to HCDA. A huge benefit would be that HCDA would not need to enter into a procurement for a broker or another entity to do what HHFDC would agree to do, which would come at a large cost. The loss would be that HCDA did not collect the shared equity from those units. When a unit is beyond its regulated term it is not open to be purchased back, HCDA would still collect the shared equity upon release of the unit to the market.

Chair Whalen commented that before this application is broadened the Board will be aware of things that might come up and adjustments that might need to be made in the relationship HCDA would want to establish with HHFDC over the long term.

ED Souki commented that it was sounded like the board would like to entertain a motion that would be specifically to allow HCDA to move forward to complete the transaction for the two units with HHFDC. He said that if for some reason HCDA cannot work that out, the default is to contract that out. The second thing would be to allow HCDA to work with HHFDC on a broader agreement, which would be brought back to the Board for its consideration.

Chair Whalen said that this is called a pilot project, because it pertains just to those two units in Rycroft Terrace.
Member Fang made a motion to authorize the executive director to negotiate and enter an agreement with the Hawaii Housing Finance and Development Corporation to serve as HCDA’s designated buyback authority to repurchase and resell Rycroft’s two units in question, Units A and B at Rycroft Terrace reserved housing units sold during the regulated term, in accordance with HHFDC’s affordable housing program and to work with HHFDC on negotiating a broader agreement.

Member Bassett seconded the motion.

Member Waterhouse asked what happens to the sale of the units after the buyback period expires, would there be a shared equity?

Ms. Doi confirmed that there was a shared equity provision.

Chair Whalen thanked HHFDC for appearing and asked if there was any public testimony.

Marlen Lemeke testified that she was with Janice Takahashi, HHFDC’s chief planner. She said they have been working with Jesse and Lindsey and were involved with the repurchase and the eventual resell of a unit, they do keep in touch with the owners after they have purchased. Ms. Lemeke explained that after 10 years buyback or transfer and use of restriction automatically terminates. Although it is automatically terminated, they have many families who are still more there. Also, annually they do send out reminder letters to their owners to inform them that their property is still restricted, and that if they are going to refinance or transfer their property, owners need to go to them for guidelines.

Member Waterhouse asked if they could flip it for profit, although the new owners have to be owner/occupants.

Ms. Lemeke confirmed, but they would be required to pay the state shared appreciation program.

Member Bassett asked if that shared appreciation went to HCDA or another entity. Ms. Lemeke said it went to their entity and explained the process.

Member Bassett asked if HCDA staff was aware of this. Ms. Doi conveyed that what they were talking about were two different issues. HHFDC has their own program, and HCDA has their own program that run separately. What they want to do is meld the two only for those units that are up for sale during the regulated term. That regulated term could be two years, or five years. Rycroft Terrace is a 10 year regulated term.

Ms. Lemeke confirmed.
Ms. Doi added that HCDA only needed assistance to buy back and resell, and that the nonregulated term units, are separate.

Chair Whalen asked for further testimony; there was none. He asked Ms. Levertonto call the roll. All were in favor.

The motion passed with nine votes, and four excused.

Chair Whalen called a recess.

10:44 AM RECESS
10:52 AM RECONVENE

6. Shall the Authority Authorize the Executive Director to Negotiate a Lease of Net Shed Building at Kewalo Basin and the surrounding 0.53 acres (approx.) of land, together with a right of entry for an additional 0.29 acres, identified by Tax Map Key Nos. (1) 2-1-058-135 (portion), 136 (portion) and 137 (portion) with KUPU.

Pursuant to Hawaii Revised Statutes Section 92-4 and 92-5(a), the Authority may elect to convene in executive session.

Chair Whalen briefly explained the procedures for this item.

Deepak Neupane presented the staff report under tab #6 of the board packet. He gave background and staff analysis.

Mr. Neupane provided staff recommendation that the Authority consider the provision of HAR Section 15-23-40 and decide on uses proposed by KUPU as to their efficacy in furthering the purpose and intent of Makai Area Plan and Rules before considering the lease request to KUPU.

Vice Chair Scott asked to see the presentation by KUPU.

Cal Chipchase representing KUPU introduced John Leong, the CEO of KUPU. Mr. Leong gave a PowerPoint presentation on KUPU’s background, history, programing, net shed, plans, rules and the uses that have been proposed.

Chair Whalen asked Mr. Chipchase if the PowerPoint could be made available to the board and staff because some of the information in the presentation was new. Mr. Chipchase was happy to provide the PowerPoint.

PUBLIC TESTIMONY:
Stacy Akana testified in support of KUPU. He said that the opportunity of being in a beautiful place gives the kids self-esteem and presence to be in Kewalo Basin.
Edward Mafnas, a volunteer for KUPU, read his written testimony in support.

Dean Hazama testified in support.

Kamuela Bannister with KUPU shared two stories about Kewalo with the board. Mr. Bannister was in support.

Gordon Lee, a community member and volunteer chef for KUPU, shared his story with the board about how he got involved with KUPU. Mr. Lee was in support of this item.

Kamuela Cobb-Adams with Kamehameha Schools thanked the board. Mr. Cobb-Adams and Kamehameha Schools is in support of KUPU and felt this was a tremendous opportunity to develop community.

Debra New, president of Nalani'ikaleomana Foundation, board member of Honolulu Executive Association, board member of Na Leo Lani Chorus and taught field therapy. Ms. New testified that KUPU was the hub of partnerships and networking. She was in support.

Member Bassett asked Ms. New how she found out about the space that it was available to be used.

Ms. New said her foundation is part of Honolulu Executive Association too. The members surf, and were hungry coming out of surfing and they encouraged her to get involved and now other members are involved.

Thomas Pua’ala Sing, a ministry leader for the IMUA One Blade Canoe Club Ministry stated support of the negotiation between the executive director and KUPU.

William Roy Carroll with KUPU testified in support.

Warren Lilo with the nonprofit Life 360 was in support and shared how he met KUPU.

Kalawai’a Goo, a veteran but now at UH school of social work, testified in support.

Todd Mayeshiro with Hawaiian Electric Company testified as an individual and as a father in support of KUPU. Mr. Mayeshiro shared how KUPU did wonderful things for his daughter, family and himself.

Maia Mayeshiro, Todd Mayeshiro’s daughter, told the board how KUPU changed her life by sharing her story. Ms. Mayeshiro was in support.
Ron Iwami, President of Friends of Kewalo’s, testified in support.

Vice Chair Scott asked Mr. Iwami to envision that if it was just green space, wouldn’t that enhance the park.
Mr. Iwami said that if it was a park, it would be beautiful, but he did not know what was going to happen there, because you still need a presence there.

Rick White, Kewalo Basin charter boat captain summarized his written testimony in support.

Margret Watson, a student at UH Manoa, shared how she was introduced to KUPU two years ago. Ms. Watson was in support.

Richard Wacker, a concerned individual, president of American Savings Bank and speaking on behalf of the Hawaiian Electric expressed his strong support for KUPU.
Chair Whalen asked Mr. Wacker if the funders impose any requirements like it is exclusively for KUPU’s use or a facility could also be used for other public use.
Mr. Wacker said no. The context of their raising money for KUPU for the renovation of the net shed for the mission of the Green Jobs Training Center was a big part of supporting it. To the extent that it was not being done KUPU they would return the campaign commitments.

Chair Whalen said the board needed to be assured that it is not just going to be an exclusive use for a single nonprofit organization.
Mr. Wacker confirmed no. KUPU’s mission is to make sure this center is part of supporting the whole community in the area.

Member Fang said that it seems like KUPU is doing a lot of great community work that everyone can benefit from, but asked how to interpret the park rules, the master plan for the park, and whether KUPU’s current use of the net shed conforms with what the park plans are and what the park rules call for as well as hat their proposed future plans for the net shed. She asked Mr. Wacker if whether KUPU’s use conforms to the park rules been a part of the discussion, since he is on a lot of boards.
Mr. Wacker explained that the funders believe that if the board approves this then they are satisfied. They will not separately try to assess that. They have relied on the representations of KUPU and HCDA.

Manning Taite, Director for NALU Studies, a fiscally sponsored nonprofit working with high-risk youth through general drug court, family work; testified in support.
Member Waterhouse asked if the location was important for the kids, and whether adding the $6 million in improvements is going to have much of an impact, and why or why not?

Mr. Taite said that the net shed in and of itself, the bones of what it is, will never change. It will still have the character and the history that it had for many years, they just want to add improvements to allow it to be more functional.

Lea Hong the Hawaiian Islands state director for the Trust for Public Land offered comments. She previously submitted written testimony in support.

Todd Apo with Howard Hughes Corporation testified in support of KUPU.

There was no further testimony.

Chair Whalen explained that the board may enter into Executive Session, but there was also a public hearing scheduled for 1:00pm. The board meeting would be pushed back until about 3:00pm.

Chair Whalen asked for a motion for the board to convene in executive session pursuant to Hawaii Revised Statutes Section 92-5 to consult with the board’s attorney on questions and issues pertaining to the board’s power, duties, privileges, immunities and liabilities in this matter.

Member Fang moved the motion.
Vice Chair Scott seconded.
All members were in favor.

2:18PM EXECUTIVE SESSION

Pursuant to Section 92-5 (a) (4), Hawaii Revised Statutes, the Authority convened in Executive Session at 10:36 a.m.

4:01PM RECONVENE
Chair Whalen reconvened the meeting at 4:01p.m.
He asked for a motion.

MOTION:
Member Oh made the following motion: The Authority finds that the uses proposed by KUPU and listed in the HCDA staff report on page 3 is consistent with the purpose and intent of the Makai Area Plan and Rules.
Authorize the Executive Director to negotiate a lease with KUPU for the net shed building as described in the staff report with the following conditions: For the initial term of 15 years with two 10-year options to extend; no increase in the floor area of the existing net shed building; all other uses shall be consistent with the Makai Area Plan and Rules.

Vice Chair Scott seconded the motion.

Member Bassett wondered if the board should attach the condition also that this would be subject to the approval of the development permit. Vice Chair Scott agreed.

Member Oh said that was in line with “all the other uses shall be consistent with the Makai Area rules,” and that it is consistent with the development agreement.

Member Basset said KUPU has shown a lot of the proposed uses how they comply with park rules, and some educational and cultural components as well as being in compliance with the rules. The actual details of how that will work out as far as space available for public use, how much KUPU can accommodate, needs to be worked through negotiation with staff. He would like to see more details in writing so that there is a clear understanding between KUPU and the public as to what the actual space and frequency of use available for the public will be.

Mr. Neupane did not think the motion needed to be modified, he believed that the comment from Member Basset was direction to staff from the Board, and staff will implement the Board’s direction in negotiating the lease with KUPU.

ED Souki clarified that the motion did not need to be amended and staff was taking what Board member Bassett said as part of the Board’s intent. Member Bassett confirmed.

Member Bassett also noted that KUPU came to the board asking for 35 years. He understood the need to have that park space activated, but there are many other ways to activate a park space. He was uncomfortable committing to a 35-year term and may have greater clarity for the best use of this space in the next 15-20 years.

Mr. Neupane called roll call vote.

The motion passed with eight yes votes and one excused.

Vice Chair Scott made a motion to recess, Member Bassett seconded. Everyone was in favor.

4:11 P.M. RECESS
4:57 P.M. RECONVENE
IV. EXECUTIVE DIRECTOR REPORT

8. Monthly and Status reports on the following:
   a. Approved permit applications that did not require HRS § 206E-5.6 public
      hearings.
   b. HCDA Parks Update.
   c. Report on the Kakaako Reserved Housing Rules Public Hearing held March

The board wanted to wait on Member Fang to return before giving the Task Force Update,
so ED Souki began with his report.

ED Souki presented the ED report and pointed out that the transcript for the Kakaako
Reserved housing rules were completed.
Souki told the board that all the information was up on the HCDA website and binders
have been prepared.

Member Waterhouse made a motion to go into executive session to ask the attorneys
questions based on Hawaii Revised Statues 92-4 and 92-5(a) about the hearing process.
Member Okuhama seconded.
All were in favor.

5:13PM EXECUTIVE SESSION

***************************************************************************************************************
Pursuant to Section 92-5 (a) (4), Hawaii Revised Statutes, the Authority convened in
Executive Session at 10:36 a.m.
***************************************************************************************************************

5:48PM RECONVENE

7. Information: Kakaako Makai Active Use Master Plan Task Force Update.

Member Bassett said he would present the Park Plan Task Force Updated. The Task Force
met on March 9 and March 17. The purpose of the meeting was to amend elements in the
master plan. They have concerns about the hills and how to address the costs associated
with potentially into those mounds, that they may need to come up digging into the mounds.

Staff is going through the plans based on the Task Force’s direction. They hope to have
changes done by May or June.
V. ADJOURNMENT

Chairperson Whalen adjourned the regular meeting at 5:57 p.m.

Respectfully submitted,

[Signature]
John Whalen,
Chair
MEMORANDUM OF AGREEMENT BETWEEN THE HAWAI\"I COMMUNITY
DEVELOPMENT AUTHORITY AND THE HAWAI\"I HOUSING FINANCE AND
DEVELOPMENT CORPORATION
TO DESIGNATE BUYBACK AUTHORITY

This Memorandum of Agreement ("Agreement"), is entered into as of this
30th day of May, 2017, by and between the Hawaii Community Development
Authority ("HCDA"), 587 Queen Street, Honolulu, Hawaii, 96813, and the Hawaii
Housing Finance and Development Corporation ("HHFDC"), 677 Queen Street, Suite
300, Honolulu, Hawaii 96813 (collectively, the "Parties").

WITNESSETH:

WHEREAS, the transfer of a Reserved Housing Unit ("Unit") is subject to the
terms, conditions and requirements set forth in the Kakaako Community Development
District Mauka Area Rules ("Mauka Area Rules");

WHEREAS, during the Regulated Term, if the owner wishes to sell the Unit, the
owner provides HCDA with written notice of the intent to sell the Unit, and HCDA has
the first option to purchase the Unit at a purchase price calculated in accordance with
the Mauka Area Rules;

WHEREAS, on April 5, 2017, HCDA authorized its Executive Director to
negotiate and enter into an Agreement with the HHFDC to serve as HCDA’s Designated
Buyback Authority to repurchase and resell Rycroft Terrace Reserved Housing Units
sold during the Regulated Term, in accordance with HHFDC’s Affordable Housing
Program. The extent of HHFDC’s designated buyback authority is currently limited to
two (2) specific Units in Rycroft Terrace. The properties are described in Exhibit A;

WHEREAS, on April 13, 2017, HHFDC authorized its Executive Director to enter
into a Memorandum of Agreement with HCDA to act as HCDA’s Buyback Desigee in
the repurchase of HCDA’s Reserved Housing Units in the Kakaako Community
Development District and to subsequently resell said housing units in accordance with
the HHFDC’s Repurchase Program under Chapter 15-307, Hawaii Administrative Rules;
and

WHEREAS, HCDA and HHFDC desire to enter into this Agreement to define
their respective roles and responsibilities in the implementation of a buyback program
for Reserved Housing Units.
NOW, THEREFORE, the Parties hereto mutually agree as follows:

1. **HCDA’s Representation/Warranty and Obligations**
   
a. **HCDA’s Representation/Warranty as Reserved Housing Unit.**
   
   HCDA represents and warrants that any unit offered to HHFDC as Buyback Designee for HCDA is designated in the deed of the unit owner as a “Reserved Housing Unit” in accordance with the Kakaako Community Development District Mauka Area Rules and as that term is defined in Section 206E-101, Hawaii Revised Statutes.

b. **HCDA’s Obligations.** HCDA shall be responsible for the following:

   1. Inform affected Unit owners of the designation of HHFDC as HCDA’s Buyback Designee;

   2. Transfer to HHFDC the buyback documents for affected owners, including copies of deeds, unilateral declarations, appraisals, correspondence, and rules relating to the Unit and the buyback;

   3. Consent to the release of the applicable restrictions, conditions, and requirements relating to the Unit; and

   4. Carry out its duties and responsibilities as to each Unit as more specifically set forth in Exhibit B attached hereto and made a part hereof; or as may subsequently be mutually agreed upon by the Parties to accomplish the obligations set forth.

2. **HHFDC Obligations.** HHFDC shall be responsible for the following:

   a. Determine the feasibility of HHFDC acting as the Buyback Designee with respect to the purchase of a specific Unit at a purchase price calculated in accordance with the Mauka Area Rules; and

   b. If feasible, succeed to the rights of HCDA under the original deed to repurchase the Unit at the calculated purchase price and subsequently resell the Unit to an eligible buyer subject to HHFDC’s applicable Repurchase Program set forth in Chapter 15-307, Hawaii Administrative Rules.

   c. Carry out its duties and responsibilities as to each Unit as more specifically set forth in Exhibit B attached hereto and made a part hereof; or as subsequently be mutually agreed upon by the Parties to accomplish the obligations set forth.
3. **Term.** This Agreement shall be effective as of the date set forth above and shall continue until such time that the Parties determine that the objectives of this Agreement have been fulfilled, unless sooner terminated as provided herein.

4. **Notices.** Any written notice required to be given by any party to this Agreement shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The Parties are responsible for notifying each other in writing of any change of address.

Notice to HCDA shall be addressed to:

Executive Director  
Hawaii Community Development Authority  
547 Queen Street  
Honolulu, Hawaii 96813

Notice to HHFDC shall be addressed to:

Executive Director  
Hawaii Housing Finance and Development Corporation  
677 Queen Street, Suite 300  
Honolulu, Hawaii 96813

5. **Termination of Agreement.**

   a. Either party may terminate this Agreement with sixty (60) days' prior written notice to the other party.

   b. Upon termination of this Agreement, HCDA and HHFDC shall be released from any further obligations hereunder.

6. **Severability.**

   If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed and enforced as so limited.

7. **Waiver of Contractual Right.**

   The failure of either party to enforce, or the granting of a waiver of, any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.
8. **Applicable Law.**  
This Agreement shall be governed by the laws of the State of Hawaii.

9. **Counterparts.**  
This Agreement may be executed in several duplicate counterparts and such counterparts, when executed, shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY (HCDA)

By  
Name:  
Its:  

APPROVED AS TO FORM:

[Signature]
Deputy Attorney General  
State of Hawai‘i

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC)

By  
Name:  
Its:  

APPROVED AS TO FORM:

[Signature]
Deputy Attorney General  
State of Hawai‘i
8. **Applicable Law.**  
This Agreement shall be governed by the laws of the State of Hawaii.

9. **Counterparts.**  
This Agreement may be executed in several duplicate counterparts and such counterparts, when executed, shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

**HAWAII COMMUNITY DEVELOPMENT AUTHORITY (HCDA)**

By ____________________________  
Name: ____________________________  
Its: ____________________________

APPROVED AS TO FORM:

__________________________  
Deputy Attorney General  
State of Hawaii

**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC)**

By ____________________________  
Name: Craig K. Hirai  
Its: Executive Director

APPROVED AS TO FORM:

__________________________  
Deputy Attorney General  
State of Hawaii
EXHIBIT A

1. Rycroft Terrace, Unit 305:
All right, title and interest of Grantor in and to the following:

FIRST: Unit No. 305 (the "Unit"), in the condominium project (hereinafter referred to as the "Project"), described in and established by that certain Declaration of Condominium Property Regime of Rycroft Terrace dated February 7, 2014, recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") as Document No. A-52201132A thru A-52201132B, as the same may be amended from time to time (the "Declaration"), and the Bylaws of the Association of Apartment Owners of Rycroft Terrace dated February 7, 2014, recorded in the Bureau as Document No. A-52201133, as the same may be amended from time to time (the "Bylaws"), and as more fully shown on Condominium Map No. 5272 filed in the Bureau, as the same may be amended from time to time (the "Condominium Map").

TOGETHER with the following appurtenant easements:

(A) An exclusive right to use those certain limited common elements of the Project, as described in the Declaration as may be amended, including the exclusive right to use Parking Stall No. 41:

(B) Nonexclusive easements in the common elements designed for such purposes, for ingress to, egress from, utility services for, and support, maintenance, and repair of the Unit; in the other common elements for use according to their respective purposes, subject always to the exclusive use of the limited common elements as provided in the Declaration, and in all other units and common elements of the Project for support.

SECOND: An undivided 0.6740% interest in all common elements of the Project as established for the Unit by the Declaration, as tenant in common with the other unit owners of the Project.

The lands upon which said condominium project "RYCROFT TERRACE" is located are described as follows:

All of those certain parcels of land (being portion(s) of Royal Patent Grant Number 2057 to R. Keanui) situate, lying and being at Pauwa, Waikiki, Honolulu, City and County of Honolulu, State of Hawaii, being LOT 6, area 13,953 square feet, more or less, LOT 7, area 14,325 square feet, more or less, LOT 14, area 16,867 square feet, more or less, and LOT 15, area 16,469 square feet, more or less, of the "KAHEKA TRACT" as shown on File Plan Number 669, filed in the Bureau.
BEING THE PREMISES ACQUIRED BY LIMITED WARRANTY DEED WITH COVENANTS AND AGREEMENTS

GRANTOR: LANCE KEAWE WILHELM, ROBERT K.W.H. NOBRIGA, CORBETT AARON KAMOHAIKIOKALANI KALAMA, MICAHA A. KANE, and JANEEN-ANN AHULANI OLDS, as Trustees of the Estate of Bernice Pauahi Bishop

GRANTEE: HIH TERRACE OPERATING COMPANY LLC, a Hawaii limited liability company

DATED: OCT 02 2014
RECORDED: A-53880079

SUBJECT, HOWEVER, to the following encumbrances:


2. The terms and provisions contained in the following:

   INSTRUMENT: PAGODA TERRACE CONVERSION RESERVED HOUSING AGREEMENT

   DATED: August 8, 2012
   RECORDED: Document No. A-46171243
   PARTIES: TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP dba Kamehameha Schools and HIH TERRACE OPERATING COMPANY LLC, a Hawaii limited liability company

3. The terms and provisions contained in the following:

   INSTRUMENT: DECLARATION OF COVENANTS; PARKING LICENSE AGREEMENT; JOINER AND CONSENT (Rycroft Terrace – 18 Stalls)

   DATED: February 7, 2014, but effective on July 1, 2014
   RECORDED: Document No. A-51510718A
   PARTIES: H1DC KAHEKA INVESTMENT PARTNERS LLC, a Hawaii limited liability company, and HIH TERRACE OPERATING COMPANY LLC, a Hawaii limited liability company

   JOINER AND CONSENT TO DECLARATION OF COVENANTS; PARKING LICENSE AGREEMENT by the TRUSTEES OF THE ESTATE OF BERNICE

4. The terms and provisions contained in the following:

INSTRUMENT : PARKING LICENSE AGREEMENT; JOINDER AND CONSENT (Rycroft Terrace - 24 Stalls)

DATED : February 7, 2014, but effective on July 1, 2014
RECORDED : Document No. A-51510719A
PARTIES : HIDC KAHEKA INVESTMENT PARTNERS, LLC, a Hawaii limited liability company, and HIH TERRACE OPERATING COMPANY LLC, a Hawaii limited liability company

JOINDER AND CONSENT TO PARKING LICENSE AGREEMENT by the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP dated February 4, 2014, recorded as Document No. A-51510719B.

Said Parking License Agreement is in addition to the covenants benefitting the land described in Exhibit A herein, subject to the terms and conditions set forth in DECLARATION OF COVENANT dated November 5, 1980, recorded in Liber 15124, at Page 776, as amended by instruments dated March 5, 1981, recorded in Liber 15412 at Page 597, and dated August 7, 2013, recorded as Document No. A-49680539.

5. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME OF "RYCROFT TERRACE"

DATED : February 7, 2014
RECORDED : Document No. A-52201132A
MAP : 5272 and any amendments thereto

The foregoing includes, but is not limited to, HCDA Buyback Restrictions, Equity Sharing Requirements, and Occupancy Requirements, as set forth therein.


Said Declaration was amended by instrument dated AUG 2 1 2014, recorded as Document No. A-59500571, and as may be further amended from time to time.

Joinder by THE TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP dated AUG 2 1 2014, recorded as Document No. A-59500571B.
6. The terms and provisions contained in the following:

INSTRUMENT: BYLAWS OF THE ASSOCIATION OF UNIT OWNERS OF RYCPDFT TERRACE

DATED: February 7, 2014
RECORDED: Document No. A-52201133


TOGETHER ALSO WITH all built-in furniture, attached existing fixtures, built-in appliances, electrical and/or gas and plumbing fixtures, attached carpeting, disposal, existing window coverings, range, refrigerator, smoke/heat detectors and TV cable outlet, situate on or used in connection with the above-described property, as agreed upon by the parties herein, if any.
2. Rycroft Terrace, Unit 515:
All right, title and interest of Grantor in and to the following:

FIRST:  Unit No. 515 (the "Unit"), in the condominium project (hereinafter referred to as the "Project"), described in and established by that certain Declaration of Condominium Property Regime of Rycroft Terrace dated February 7, 2014, recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") as Document No. A-52201132A thru A-52201132B, as the same may be amended from time to time (the "Declaration"), and the Bylaws of the Association of Apartment Owners of Rycroft Terrace dated February 7, 2014, recorded in the Bureau as Document No. A-52201133, as the same may be amended from time to time (the "Bylaws"), and as more fully shown on Condominium Map No. 5272 filed in the Bureau, as the same may be amended from time to time (the "Condominium Map").

TOGETHER with the following appurtenant easements:

(A) An exclusive right to use those certain limited common elements of the Project, as described in the Declaration as may be amended, including the exclusive right to use Parking Stall No. 9;

(B) Nonexclusive easements in the common elements designed for such purposes, for ingress to, egress from, utility services for, and support, maintenance, and repair of the Unit; in the other common elements for use according to their respective purposes, subject always to the exclusive use of the limited common elements as provided in the Declaration, and in all other units and common elements of the Project for support.

SECOND: An undivided 0.3940% interest in all common elements of the Project as established for the Unit by the Declaration, as tenant in common with the other unit owners of the Project.

The lands upon which said condominium project "RYCROFT TERRACE" is located are described as follows:

All of those certain parcels of land, (being portion(s) of Royal Patent Grant Number 2057 to R. Keanui) situate, lying and being at Pauoa, Waikiki, Honolulu, City and County of Honolulu, State of Hawaii, being LOT 6, area 13,953 square feet, more or less, LOT 7, area 14,325 square feet, more or less, LOT 14, area 16,867 square feet, more or less, and LOT 15, area 16,469 square feet, more or less, of the "KAHEKA TRACT", as shown on File Plan Number 669, filed in the Bureau.
BEING THE PREMISES ACQUIRED BY LIMITED WARRANTY DEED WITH
COVENANTS AND AGREEMENTS

GRANTOR: LANCE KEAWE WILHELM, ROBERT K.W.H. NOBRIGA,
CORBETT AARON KAMOHAIKOKALANI KALAMA,
MICAH A. KANE, and JANEEN-ANN AHULANI OLDS, as
Trustees of the Estate of Bernice Pauahi Bishop

GRANTEE: HIH TERRACE OPERATING COMPANY LLC, a Hawaii
limited liability company

DATED: OCT 02 2014
RECORDED: A-53880079

SUBJECT, HOWEVER, to the following encumbrances:


2. The terms and provisions contained in the following:

INSTRUMENT: PAGODA TERRACE CONVERSION RESERVED
HOUSING AGREEMENT

DATED: August 8, 2012
RECORDED: Document No. A-46171243
PARTIES: TRUSTEES OF THE ESTATE OF BERNICE PAUAHI
BISHOP dba Kamehameha Schools and HIH TERRACE
OPERATING COMPANY LLC, a Hawaii limited liability
company

3. The terms and provisions contained in the following:

INSTRUMENT: DECLARATION OF COVENANTS; PARKING LICENSE
AGREEMENT; JOINER AND CONSENT (Rycroft
Terrace – 18 Stalls)

DATED: February 7, 2014, but effective on July 1, 2014
RECORDED: Document No. A-51510718A
PARTIES: HIDC KAHEKA INVESTMENT PARTNERS LLC, a
Hawaii limited liability company, and HIH TERRACE
OPERATING COMPANY LLC, a Hawaii limited liability
company

JOINER AND CONSENT TO DECLARATION OF COVENANTS; PARKING
LICENSE AGREEMENT by the TRUSTEES OF THE ESTATE OF BERNICE

4. The terms and provisions contained in the following:

**INSTRUMENT:** PARKING LICENSE AGREEMENT; JOINDER AND CONSENT (Rycroft Terrace – 24 Stalls)

**DATED:** February 7, 2014, but effective on July 1, 2014

**RECORDED:** Document No. A-51510719A

**PARTIES:** HDIC KAHEKA INVESTMENT PARTNERS, LLC, a Hawaii limited liability company, and HIH TERRACE OPERATING COMPANY LLC, a Hawaii limited liability company

JOINDER AND CONSENT TO PARKING LICENSE AGREEMENT by the TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP dated February 4, 2014, recorded as Document No. A-51510719B.

Said Parking License Agreement is in addition to the covenants benefiting the land described in Exhibit A herein, subject to the terms and conditions set forth in DECLARATION OF COVENANT dated November 5, 1980, recorded in Liber 15124, at Page 776, as amended by instruments dated March 5, 1981, recorded in Liber 15412 at Page 597, and dated August 7, 2013, recorded as Document No. A-49680539.

5. The terms and provisions contained in the following:

**INSTRUMENT:** DECLARATION OF CONDOMINIUM PROPERTY REGIME OF “RYCROFT TERRACE”

**DATED:** February 7, 2014

**RECORDED:** Document No. A-52201132A

**MAP:** 5272 and any amendments thereto

The foregoing includes, but is not limited to, HCDA Buyback Restrictions, Equity Sharing Requirements, and Occupancy Requirements, as set forth therein.


Said Declaration was amended by instrument dated **AUG 21 2014**, recorded as Document No. **A-53590517A**, and as may be further amended from time to time.

6. The terms and provisions contained in the following:

INSTRUMENT: BYLAWS OF THE ASSOCIATION OF UNIT OWNERS
OF RYCROFT TERRACE

DATED: February 7, 2014
RECORDED: Document No. A-52201133


TOGETHER ALSO WITH all built-in furniture, attached existing fixtures, built-in appliances, electrical and/or gas and plumbing fixtures, attached carpeting, disposal, existing window coverings, range, refrigerator, smoke/heat detectors and TV cable outlet, situate on or used in connection with the above-described property, as agreed upon by the parties herein, if any.

END OF EXHIBIT A
EXHIBIT B

I. General Procedures for Possible HHFDC Repurchase of HCDA Unit During Regulated Term

A. HCDA’s Duties and Responsibilities

1. Owner notifies HCDA of intent to sell.
   
   a. HCDA sends acknowledgement of receipt of Owner’s letter and informs Owner that an appraisal is required to determine repurchase price.
      
      1) Owner acknowledges HCDA letter and requests appraisal to calculate repurchase price.
      
      2) HCDA orders appraisal. Expected in 2 weeks from order date.

2. HCDA notifies Owner in writing (cc: HHFDC by Email) of repurchase price. Copy of appraisal provided to owner & HHFDC. In addition, the written notice to Owner shall include conditions for repurchase including but not limited to the following:

   a. HCDA’s designation of HHFDC to serve as the HCDA’s Buyback Designee to repurchase and manage the unit; and

   b. That the repurchase is subject to HHFDC’s:
      
      1) Preliminary inspection of the property;
      
      2) Acceptance of the condition of the unit with or without specified corrections (i.e., repair, cleaning, etc.); and
      
      3) Decision to repurchase the unit after inspection and evaluation.

3. Owner notifies HCDA of decision to sell or not.

   a. Owner shall sign and return to HCDA (within 30 days), “Owner’s Acknowledgement” to continue with the sale/repurchase process. Note: Owner’s acknowledgement should include contact information for owner and/or owner’s representative assisting with the sale; and

   b. HCDA will notify HHFDC of Owner’s decision.

      1) If Owner decides to sell, HHFDC will contact Owner to schedule preliminary inspection.

      2) If Owner decides not to sell, no action is required.
B. HHFDC's Duties and Responsibilities

1. HHFDC Evaluation of Unit
   a. HHFDC shall notify HCDA of decision to repurchase; or not after preliminary inspection and evaluation completed.
   b. If HHFDC decides to repurchase, HHFDC initiates paperwork to the Owner to commence the process.
   c. If HHFDC decides not to repurchase, no further action is required by HHFDC.

2. Initial Offering to Sell/Purchase
   a. HHFDC sends notice to Owner of the repurchase process and requirements (“Repurchase Contract for HCDA Unit”).
   b. HHFDC conducts initial inspection of the property and notifies Owner of items in need of repair, etc.

3. Contract Period
   a. HHFDC receives Owner's signed acceptance of the repurchase contract, process and requirements together with Owner's initial deposit of $500. Estimated closing date on or before 45 days from HHFDC's acceptance.
   b. HHFDC opens escrow and orders purchase money (expected within 30 days from HHFDC's accounting office request).
   c. Owner orders and delivers condominium documents to HHFDC.
   d. Owner completes and delivers Owner's real property disclosure statement to HHFDC.
   e. HHFDC orders termite inspection report from selected termite company (15 days prior to final inspection).

4. Pre-Closing
   a. HHFDC and Owner review and sign closing documents.
   b. Owner turns in all applicable and required unit keys, parking cards, etc., to escrow.
   c. HHFDC conducts final inspection to confirm condition of unit (5-7 days prior to closing date).
   d. Scheduled closing/recording date determined by escrow.
   e. HHFDC to schedule transfer of applicable services as of the “scheduled” closing date.
5. Closing
   a. Parties receive copies of final settlement and recorded documents.
   b. HHFDC receives applicable and required unit keys, parking cards, etc.

II. General Terms and Conditions of the Repurchase Contract

1) Purchase Price is $______________.
   HHFDC will pay purchase price in cash to the selected escrow on
   or before 10 days before the scheduled closing date (pre-closing
   period).

2) Owner shall be responsible for submitting an initial deposit of $500 payable to the
   selected escrow as a good faith deposit.

3) Closing Date: On or before 45-days from HHFDC's acceptance of Owner's
   agreement to sell the property.

4) The selected escrow to handle the close of the sale/repurchase is Title Guaranty
   Escrow – Kahala Branch, ATTN: Jeffrey Lee. Telephone number is (808) 733-
   6030.

5) Owner must complete and provide to HHFDC an Owner's Real Property
   Disclosure Statement (SRPDS). Form to be provided by HHFDC.

6) Property must be maintained in a condition acceptable to HHFDC, from HHFDC
   initial inspection date under the repurchase contract to the closing date.
   a) All existing appliances shall be in good working order.
   b) All existing warranties and product manuals shall be provided to HHFDC
      at pre-closing.
   c) Any negative changes to the condition of the unit may reduce the
      HHFDC's purchase price at closing of the sale/purchase (i.e. carpet
      damage, other damage to unit).
   d) Owner will keep the unit in clean and habitable condition.

7) Owner will continue to make all payments due on the property as applicable,
   such as mortgage, maintenance fee, association due, fire insurance, etc.

8) Owner will not make any liens on the property. Owner shall convey title free and
   clear of any liens and/or encumbrances, except those running with the land as
   specified in the legal description of the property.

9) Owner and HHFDC shall pay customary closing costs, if applicable, as indicated
   below. HHFDC is a government agency and is exempt from paying taxes.

<table>
<thead>
<tr>
<th>Charges to HHFDC, if applicable:</th>
<th>Charges to Owner, if applicable:</th>
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<tbody>
<tr>
<td>40% of the premium for standard coverage title</td>
<td>60% of the premium for standard coverage</td>
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<td>Charges to HHFDC, if applicable:</td>
<td>Charges to Owner, if applicable:</td>
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<td>--------------------------------------------------------</td>
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<td>insurance and any additional costs relating to</td>
<td>title insurance</td>
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<td>the issuance of extended coverage policy</td>
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<td>(including a lender's policy)</td>
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<td>Cost of drafting mortgage and note</td>
<td>Cost of drafting of conveyance documents and bills of</td>
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<td></td>
<td>sale</td>
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<td>Cost of obtaining HHFDC's consents</td>
<td>Cost of obtaining Owner's consents</td>
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<tr>
<td>HHFDC's notary fees</td>
<td>Owner's notary fees</td>
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<tr>
<td>All recording fees except documents to clear</td>
<td>Recording fees to clear Owner's title</td>
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<td>Owner's title</td>
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<td>50% of Escrow fee</td>
<td>50% of Escrow fees</td>
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<tr>
<td>Condominium and Association ownership transfer fees</td>
<td>Cost of required staking or survey</td>
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<td>FHA or VA discount points and any mortgage fees</td>
<td>FHA or VA mandatory closing fees</td>
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<td>FIRPTA (Federal withholding tax)/ HARPTA</td>
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<td></td>
<td>(State withholding tax)</td>
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<td>Conveyance tax (subject to Paragraph F-7)</td>
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</tbody>
</table>

10) Termite Inspection. Owner will pay up to $500 for a termite inspection report. HHFDC will select the termite inspection company.

11) Owner will remove all personal belongings and clean the unit prior to HHFDC's final inspection date.

12) Owner is required to provide a certified real property tax clearance to escrow at pre-closing (approximately 10-15 days prior to closing).

13) Owner shall indemnify the HHFDC and the State of Hawaii against any and all losses, claims, demands, actions, damages (whether direct or consequential penalties, liabilities, costs and expenses), including all attorney's fees and legal expenses, arising out of or in connection with all activities related to the repurchase of the property as HCDA's Buyback Designee.

14) HHFDC may cancel the contract under the following conditions:
   a) Determined to be in the best interest of the state;
   b) If funds not available;
   c) If unit is destroyed by fire, etc.;
   d) If Owner dies;
   e) If Owner's real property disclosure statement is not acceptable.

15) Owner may cancel the contract with 15 days' written notice to HHFDC. If Owner cancels the contract, a cancellation fee of $250 will be assessed by HHFDC; payable directly from Owner's initial deposit in escrow. Owner shall be responsible for escrow's cancellation fee, if any.

16) HHFDC is the Buyer and not an agent of the Owner.

17) Owner is the Seller and shall not be represented by the HHFDC.