

**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS  
REGULAR MEETING**

**July 11, 2019**

MINUTES

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for a regular meeting at their office, located at 677 Queen Street, Honolulu, Hawaii, on Thursday, July 11, 2019, at 9:00 a.m.

With a quorum present, Chair Leilani Pulmano called the meeting to order.

Those present and excused were as follows:

Present:        Director Leilani Pulmano, Chair  
                    Director Donn Mende, Vice Chair  
                    Director Rona Fukumoto, Secretary  
                    Director Gary Mackler  
                    Director George Atta  
                    Director Melvin Kahele  
                    Director Sara Lin (arrived 9:04 a.m.)  
                    Designee Mary Alice Evans for Director Mike McCartney

Executive Director Craig Hirai

Excused:        Director Neal Miyahira

Staff Present: Sandra Ching, Deputy Attorney General  
                    Matthew Dvonch, Deputy Attorney General  
                    Janice Takahashi, Chief Planner  
                    Darren Ueki, Finance Manager  
                    Holly Osumi, Chief Financial Officer  
                    Deepak Neupane, Development Branch Chief  
                    Patrick Inouye, Housing Finance Specialist  
                    Jocelyn Iwamasa, Housing Finance Specialist  
                    Dean Sakata, Housing Finance Specialist  
                    Kent Miyasaki, Housing Information Specialist  
                    Esa Pablo, Secretary to the Board

Guests:         Carl Cunningham, Mark Development  
                    Joe Michael, Pacific Development  
                    Dave Michael, Pacific Development  
                    Kali Watson, HCDB  
                    Ray Miyashiro, Regal Travel  
                    Keith Kato, HICDC  
                    Moe Mohanna, Highridge Costa  
                    Michael Costa, Highridge Costa  
                    Randy Hiu, Ikaika Ohana  
                    Andrew Gomes, Star Advertiser  
                    Christian O'Connor, Coastal Rim  
                    Kenna Stormogipson  
                    Adrian Tam, Office of Senator Chang

Vice Chair Mende moved, seconded by Director Kahele

That the regular meeting minutes of June 13, 2019 be approved as circulated.

The motion was carried unanimously.

**I.  
CALL TO  
ORDER/  
ROLL CALL**

**II. A.  
APPROVAL  
OF MINUTES**  
Regular  
Meeting  
6/13/19

Approval of the executive session meeting minutes of June 13, 2019 was deferred to later in the meeting.

Housing Finance Branch Manager Darren Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. Resolution No. 129 attached as Exhibit F (within the For action), which provides for official intent with respect to the issuance of revenue bonds of up to \$40,200,000 for the Halawa View II project, subject to the provisions and conditions recommended in Exhibits C and E (within the For Action).
- B. Reserve up to \$2,664,038 in annual Federal Low Income Housing Tax Credits (LIHTC) over a 10-year period and \$2,664,038 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Halawa View II project, subject to the provisions and conditions recommended in Exhibits D and E (within the For Action).
- C. Applicant option to combine the development and financing of Halawa View II with Halawa View III into a single phase. Separate For Actions are being presented at the July 11, 2019 HHFDC Board Meeting requesting: (i) intent to issue under the Hula Mae Multi-Family (HMMF) Bond Program, (ii) 4% LIHTC; and (iii) Rental Housing Revolving Fund (RHRF) for Halawa View III.
- D. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

(Director Lin arrived at this time – 9:04 a.m.)

Ueki stated that the Halawa View II, L.P. (Applicant) submitted a consolidated application for HMMF, LIHTC, and RHRF financing for the development of the proposed 156-unit affordable rental housing facility targeted for families.

Ueki further stated that that approval of Resolution No. 129 recognizes eligible expenditures made by the developer 60 days prior to the approval of the inducement resolution, which can be reimbursed and further facilitates discussions and negotiations between involved parties to determine the feasibility of the contemplated project. If the Board approves this resolution and the bond issue is found feasible, staff will return for the Board's final approval for the issuance, sale, and delivery of the bonds, subject to the approval by the Department of Budget & Finance and the Governor.

Ueki opened for questions, along with Mr. Joe Michael and Mr. Dave Michael on behalf of the project.

In response to Director Mackler, J. Michael confirmed that the Construction – Sitework of \$4.09 per square foot within the proposed Project Budget and Use of Funds table, is due to utilizing existing infrastructure in Phase I (i.e., driveway entrance and parking lot) and that there is an existing sidewalk accessible to the future rail station and existing bus stops.

## **II. B. APPROVAL OF MINUTES**

Executive  
Session  
6/13/19

## **III. A. DISCUSSION AND/OR DECISION MAKING**

Approve: (1)  
Resolution No. 129,  
Which Provides for  
Official Intent with  
Respect to the  
Issuance of Hula  
Mae Multi-Family  
Tax-Exempt  
Revenue Bonds;  
and (2) Reservation  
of Low Income  
Housing Tax Credits  
for the Halawa View  
II Project Located in  
Aiea, Oahu, TMK  
No.: (1) 9-9-003:  
026 (por.)

Director Lin asked whether being in the TOD zone enabled the project certain alternate options on its project requirements. J. Michael stated that although the project did have the option to pursue an interim planned development-transit (IPDT) permit to capture some TOD benefits (i.e., reduced parking and height requirements), the project elected to go through the 201H process. However, project designs do incorporate TOD goals and objectives (i.e., bike and car share programs).

There being no further discussion, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. RHRF Project Award Loan of \$21,300,000 to Halawa View II, L.P. (Applicant/Developer) for the benefit of the Halawa View II project, with the terms and conditions as shown in Section III (G) of the For Action, and the Letter of Intent (LOI) subject to the following:
  - 1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules (HAR).
  - 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
  - 3. Completion of all documentation necessary and required to secure the release of RHRF funds.
  - 4. Certification of the applicant to comply with all applicable statutory and program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes (HRS), as they may relate to the use of State funds.
  - 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed \$4,852,466.
  - 6. Availability of RHRF program funds.
- B. Application option to combine the development and financing of Halawa View II with Halawa View III into a single phase. Separate For Actions are being presented at the July 11, 2019 HHFDC Board Meeting requesting: (i) intent to issue under the HMMF Bond Program, (ii) 4% LIHTC; and (iii) RHRF for Halawa View III.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that staff recommends a RHRF maturity loan term of 55 years, with a 0.25% interest rate after Year 3, with a repayment of 55% of available cash flow after payment of expenses, senior debt service and other recognized expenses. At the end of the 55-year maturity term, the loan is anticipated to be paid in full.

### **III. B. DISCUSSION AND/OR DECISION MAKING**

Approve a Rental Housing Revolving Fund Project Award for the Halawa View II Project Located in Aiea, Oahu, TMK No.: (1) 9-9-003: 026 (por.)

There being no questions, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. Resolution No. 130 attached as Exhibit F (within the For Action), which provides for official intent with respect to the issuance of revenue bonds up to \$40,000,000 for the Halawa View III project, subject to the provisions and conditions recommended in Exhibits C and E.
- B. Reserve up to \$2,590,963 in annual Federal LIHTC over a 10-year period and \$2,590,963 in annual State LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC) for the Halawa View III project, subject to the provisions and conditions recommended in Exhibits D and E (within the For Action).
- C. Applicant option to combine the development and financing of Halawa View III with Halawa View II into a single phase. Separate For Actions are being presented at the July 11, 2019 HHFDC Board Meeting requesting: (i) intent to issue under the HMMF Bond Program, (ii) 4% LIHTC; and (iii) RHRF For Halawa View II.
- D. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that the Halawa View III, L.P. (Applicant) submitted a consolidated application for HMMF, LIHTC, and RHRF financing for the development of the proposed 146-unit affordable rental housing facility targeted for families.

Ueki further stated that approval of Resolution No. 130 recognizes eligible expenditures made by the developer 60 days prior to the approval of the inducement resolution, which can be reimbursed and further facilitates discussions and negotiations between involved parties to determine the feasibility of the contemplated project. If the Board approves this resolution and the bond issue is found feasible, staff will return for the Board's final approval for the issuance, sale, and delivery of the bonds, subject to the approval by the Department of Budget & Finance and the Governor.

Ueki opened for questions, along with Mr. Joe Michael and Mr. Dave Michael on behalf of the project.

Director Lin inquired about the TOD height requirements in comparison to the project. J. Michael stated that he believes the height requirement is approximately 300 feet tall, with their project being approximately 229 feet tall.

There being no further discussion, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. A RHRF Project Award Loan of \$21,000,000 to Halawa View III, L.P. (Applicant/Developer) for the benefit of the Halawa View III project, with the terms and conditions as shown in Section III (G) of the For Action, and the LOI subject to the following:

**III. C.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**

Approve: (1) Resolution No. 130, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits For the Halawa View III Project Located in Aiea, Oahu, TMK No.: (1) 9-9-003: 026 (por.)

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**

Approve a Rental Housing Revolving

1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, HAR.
  2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
  3. Completion of all documentation necessary and required to secure the release of RHRF funds.
  4. Certification of the applicant to comply with all applicable statutory and program requirements, including, but not limited to, Chapter 343, 103D, §301-50 and §104, HRS, as they may relate to the use of State funds.
  5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project Management Fees, for the project shall not exceed \$5,875,364.
  6. Availability of RHRF program funds.
- B. Applicant option to combine the development and financing of Halawa View III with Halawa View II into a single phase. Separate For Actions are being presented at the July 11, 2019 HHFDC Board Meeting requesting: (i) intent to issue under the HMMF Bond Program, (ii) 4% LIHTC; and (iii) RHRF for Halawa View II.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mended moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that staff recommends a RHRF maturity loan term of 55 years, with a 0.25% interest rate after Year 3, with a repayment of 55% of available cash flow after payment of expenses, senior debt service and other recognized expenses. At the end of the 55-year maturity term, the loan is anticipated to be paid in full.

Ueki opened for questions, along with Mr. Joe Michael and Mr. Dave Michael on behalf of the project.

Chair Pulmano asked whether the project's building permits have been submitted. J. Michael stated no.

There being no further discussion, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. Resolution No. 131, attached as Exhibit D (within the For Action), which authorizes a tax-exempt issuance of up to \$47,096,100 from the HMMF Bond Program, subject to the provisions and conditions recommended in Exhibit C (within the For Action).

Fund Project Award for the Halawa View III Project Located in Aiea, Oahu, TMK No.: (1) 9-9-003: 026 (por.)

**III. E. DISCUSSION AND/OR DECISION MAKING**  
Approve Resolution No. 131, Authorizing the Issuance of Hula Mae Multi-Family

- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki noted the chronological events of the project, stating that the HHFDC conducted two Tax Equity and Fiscal Responsibility Act (TEFRA) hearings on December 18, 2017 and April 17, 2019, due to the higher issuance amounts approved at the February 14, 2019 Board Meeting. All testimonies received were in support of the issuance.

Resolution No. 131 authorizes the issuance, sale and delivery of mortgage revenue bonds in a principal amount not to exceed \$47,096,100 for the purpose of making a mortgage loan to provide financing to the KMUD II, LP, for the Kapolei Mixed Use Development Phase 2 project.

Ueki opened for questions, along with Mr. Mike Costa and Mr. Moe Mohana, on behalf of the project.

Director Mackler asked for the primary reason for the increase in the project's financing. Mohana stated that increased costs were primarily attributed to increased construction costs and interest rates.

There being no further discussion, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Kaiaulu O Waikoloa to July 31, 2020; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki noted the chronological events of the project, stating that the extension request to Inducement Resolution No. 095 was evaluated and based on progress made in site control, zoning approvals, and securing financing commitments.

The K00674 Waikoloa, L.P. (Awardee) signed the Conditional No Further Action with Institutional Controls Determination letter issued by the State of Hawaii, Department of Health (DOH) on May 3, 2019, pertaining to the risk associated with encountering unexploded ordnance on the site and continues to work on the acceptance of its Environmental Assessment (EA) and issuance of the Finding of No Significant Impact (FONSI).

The private placement of the HMMF Bonds and syndication of LIHTC continues to be worked on with Hunt Capital Partners, LLC, as the Project Based Section 8 Award is pending approval by the County of Hawaii and the U.S. Department of Housing and Urban Development.

Ueki stated that the extension of the Resolution does not give approval for the actual bond sale and is required under the Federal Statutes, subject to availability of volume cap and approval by the Department of Budget and Finance, and the Governor.

Tax-Exempt  
Revenue Bonds for  
the Kapolei Mixed  
Use Development  
Phase 2 Project  
Located in Kapolei,  
Oahu, TMK Nos.:  
(1) 9-1-088: 021  
CPR 0002 and 0009

**III. F.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**

Approve an  
Extension to  
Resolution No. 095,  
Which Provides for  
Official Intent with  
Respect to the  
Issuance of Hula  
Mae Multi-Family  
Tax-Exempt  
Revenue Bonds for  
the Kaiaulu O  
Waikoloa Project  
Located in Waikoloa,  
Hawaii, TMK No.:  
(3) 6-8-003: 028

Ueki opened for questions along with Mr. Randy Hiu on behalf of the project.

Director Mackler asked whether HHFDC is the responsible entity for the review of the EA and FONSI. Ueki responded in the affirmative. Chief Planner Janice Takahashi added that the final EA and FONSI was transmitted yesterday to the Office of Environmental Quality Control, DOH.

Director Mackler inquired about the status of the project-based vouchers. Hiu stated that it is in the process of being finalized and will hopefully be approved by August 2019.

In reference to Exhibit B, regarding DOH's letter – "Conditional No Further Action with Institutional Controls Determination for Property Located at: Proposed Kaialulu O Waikoloa Development, Waikoloa Village, Hawaii; TMK # (3) 6-8-003: Parcel 028," Chair Pulmano asked for clarification on the meaning of "conditional no further action." Takahashi explained that the site is cleared to their knowledge, with the condition that construction would cease and be addressed accordingly, if anything is found.

There being no further discussion, the motion was carried unanimously.

Ueki presented the For Action, stating staff's recommendation for the Board to approve the following:

- A. Extend the LOI dated January 17, 2017 for the Kaialulu O Waikoloa project to July 31, 2020; subject to the requirements as set forth in the For Action dated January 12, 2017; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

Vice Chair Mende moved, seconded by Director Kahele

That staff's recommendation be approved.

Ueki stated that this is a companion For Action to the previously approved, relating to the extension of the RHRF.

Ueki opened for questions, along with Mr. Randy Hiu on behalf of the project.

Based on previous Board discussions regarding a possible one 6-month extension policy, Director Lin asked whether the project could have completed within the 6-month period. Ueki stated given the status of the project, the full 12-month extension was felt warranted.

There being no further discussion, the motion was carried unanimously.

The Board recessed at 9:37 a.m.; reconvening the meeting at 9:48 a.m.

Chief Development Branch Deepak Neupane presented the For Information, stating that the Hawaii Delegation on Affordable Housing, held on May 21 – 30, 2019, was a delegation organized by Hawaii State Senator and Senate Housing Committee Chair Stanley Ching. The main purpose of the trip was to understand alternative models of government housing in Singapore and Hong Kong that may assist in addressing Hawaii's affordable housing needs. Those in attendance were, but not limited to, Executive Director Craig Hirai, Board Director Sara Lin, and himself. Additional attendees present at the meeting were introduced as Ms. Kenna Stormogipson and Mr. Adrian Tam, with Senator Chang's Office.

**III. G.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**

Approve an Extension to the Rental Housing Revolving Fund Letter of Intent for the Kaialulu O Waikoloa Project Located in Waikoloa, Hawaii, TMK No.: (3) 6-8-003: 028

**RECESS**  
9:37 a.m.  
**RECONVENED**  
9:48 a.m.

**III. H.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the Hawaii Delegation on Affordable Housing Tour of Singapore and

Pursuant to Act 167 (Session Laws of Hawaii 2019), HHFDC was appropriated \$150,000 to:

- Study and formulate a plan to implement an “affordable, locally-owned homes for all” housing program that shall be known as the “Aloha Homes Program;” and
- Submit an interim report to the 2020 Legislature and a final report, including proposed legislation to the 2021 Legislature.

In reference to staff’s report (See Attachment A), comparisons between government housing in Singapore and Hong Kong were noted.

Based on observations made, staff believes that consideration should be given to the following in the study of the “Aloha Homes Program.”

- An analysis of housing subsidies (including federal and state tax expenditures) in Hawaii;
- Lease terms and endgame problems associated with 99-year leasehold tenure in Hawaii;
- Issues in achieving cost savings from prefabricated construction alternatives in Hawaii; and
- Issues in achieving better federal, State and county coordination in land use, infrastructure, and transportation planning and development.

Hawaii News Now footage of the tour was noted to be available and could be sent to the Board to view.

Mr. Ray Miyashiro, with Regal Travel, thanked the Board for sending those who attended. He stated that he felt the trip was worth it based on the information being provided back to the Board in staff’s report. More time allotted for questions/discussions on the trip had been suggested.

Chair Pulmano inquired on the next steps. Neupane stated that the next steps would be for HHFDC to: (1) find a consultant to assist staff with an interim report for next session; and then (2) a final report will be done the following session with proposed legislation.

Suggestions and comments expressed by the Board were noted as follows:

- Designee Evans commented that replicable observations received from Singapore and Hong Kong, that can be implemented in Honolulu, would be helpful for the Legislature within the interim report.
- Director Mackler suggested that residents’ preferences and attitudes on a 99-year leasehold model be explored. Takahashi noted that a Hawaii Housing Planning Study has been done awaiting results.
- Designee Evans suggested that the Department of Hawaii Home Lands’ 99-year lease program with extension be explored. Chair Pulmano concurred, suggesting that data from the program be obtained to determine the equity after the 99-year lease and how it is regulated.
- Director Lin stated that small work groups of attendees have been established with ongoing discussions.

- In reference to the UHERO report, Director Mackler commented on the inheritance of land and whether that would cause displacement from a property.
- Chair Pulmano suggested that report findings be incorporated into its own leasehold leases. Director Lin concurred, with the exception for input from the Office of Hawaii Affairs.

With no further discussion, Chair Pulmano proceeded to agenda item III. I.

**III. I.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**

Approve an Increase  
to the Salary of the  
Executive Director  
Pursuant to Chapter  
201H, Hawaii  
Revised Statutes

Designee Evans moved, seconded by Director Kahele

**EXECUTIVE  
SESSION**

9:54 a.m.

That the Board convene in executive session pursuant to Section 92-5(a)(2), HRS, as it relates to the evaluation of the Executive Director, where consideration of matters affecting privacy will be involved.

The motion was carried unanimously.

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The Board entered in executive session at 10:46 a.m. and reconvened in regular session at 11:08 a.m.

**RECONVENED**

11:08 a.m.

Designee Evans moved, seconded by Director Kahele

That the HHFDC Board of Directors:

- Approve an increase to the salary of the HHFDC Executive Director, pursuant to Chapter 201H, HRS, to \$150,000, effective July 1, 2019; and
- Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of the For Action.

The motion was carried unanimously.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai noted the following footnotes in Exhibit A, regarding the DURF (page 1 of 5) and RHRF (page 3 of 5) legislative appropriations that are not included in the total cash available:

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

- DURF \$25 million, \$42 million, and \$25 million for Fiscal Years (FY) 2018, 2020, and 2021, respectively.
- RHRF \$25 million, \$50 million, and \$50 million for FY 2018, 2020, and 2021, respectively.

Chair Pulmano noted that the executive session meeting minutes of June 13, 2019 were approved in executive session.

**II. B.  
APPROVAL  
OF MINUTES  
Executive**

There being no further business on the agenda, Vice Chair Mende moved, seconded by Director Kahele

That the meeting be adjourned at 11:13 a.m.

The motion was carried unanimously.



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RONA FUKUMOTO  
Secretary

**Hawaii Delegation on Affordable Housing tour of Singapore and Hong Kong,  
May 21-30, 2019  
Staff Report  
July 11, 2019**

Under a delegation organized by Hawaii State Senator and Senate Housing Committee Chair Stanley Chang, a group of almost 40 legislators, public officials, housing developers, architects, financial consultants, the media, and interested citizens from Hawaii travelled to Singapore and Hong Kong between May 21-30, 2019, to learn about housing in these two countries. The main purpose of the trip was to understand alternative models of affordable housing in these two countries that may assist in addressing Hawaii's affordable housing needs. The HHFDC Executive Director, Craig Hirai; Development Branch Chief, Deepak Neupane; and HHFDC Board Member Sara Lin were part of the delegation.



*Map of Singapore*

The delegation met with the following agencies in Singapore and Hong Kong.

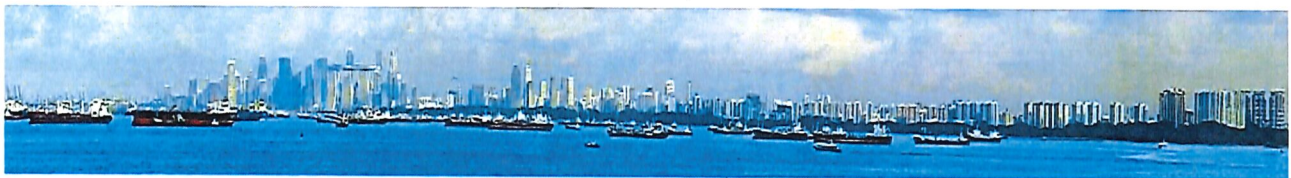
**Singapore**

- Housing and Development Board
- Urban Redevelopment Agency
- Land Transport Authority
- Central Provident Fund

**Hong Kong**

- Hong Kong Trade Development Council
- Hong Kong Planning Department
- Hong Kong Housing Authority
- Mass Transit Railway Corporation

Apart from the meetings the delegation also toured various housing development projects in Singapore and Hong Kong.



*Panoramic View of Singapore City Center*

**SINGAPORE:** Singapore is a small island nation at the lower end of the Malay peninsula. The British founded modern Singapore as a trading colony on the site in 1819. It was a British colony until the crown colony was dissolved in 1963 when Singapore joined the Malay Federation. In 1965, Singapore was ousted from the Malay Federation and became an independent nation. Though an underdeveloped country at the time of its independence, Singapore today is one of the world's most prosperous countries with strong international trading links (its port is one of the world's busiest in terms of tonnage handled) and with per capita GDP equal to that of the leading nations of Western Europe. Singapore is considered one of the most business-friendly countries in the world and its per capita GDP is 7<sup>th</sup> highest among 187 countries rated by International Monetary Fund (US per Capita GDP is 8<sup>th</sup> highest). The table



*Colonial Architecture in Singapore*

**EXHIBIT E**

**ATTACHMENT A**

below provides a quick comparison between Singapore and Honolulu in terms of size, population, and the economy.

	Singapore	Honolulu (Oahu)
Land Area	279 sq. mile	597 sq. mile
Population	5,640,000	976,000
GDP	\$350 billion	\$74 billion*
Population Density	20,200/sq. mile	1,636/sq. mile
Median Home price to median income ratio	4.8**	9.4**

\*Hawaii GDP

\*\*Median home price to median income ratio is an indicator of housing affordability. A ratio of 3 or lower is considered affordable. Affordability decreases as the ratio gets bigger.

Opening of the Suez Canal in 1869 and the connection of Singapore to Europe by telegraph in 1870 started a prosperous period in commercial exchanges between the island and rest of the world. The growth in business was accompanied with tremendous demographical growth through immigration. Thus, began the issue of affordable housing in Singapore. The evolution of urban planning and housing development in the city reflects the Jackson Plan prepared in 1822. This plan called for segregation of the population along ethnic lines. The Jackson plan also developed the housing design morphology in the form of the Shophouse. The Shophouse doubled as a dwelling and a workplace. Construction of the Shophouse also introduced modern building construction material such as brick and lime in contrast to traditional Malay timber construction. Housing constructed by private developers in the early 20<sup>th</sup> century was mostly targeted to the wealthy section of the population. It was around that time that the colonial government decided to address affordable housing issue by establishing the Singapore Improvement Trust (SIT) in 1927 to develop infrastructure and housing. Its objective was to build as fast and as cheaply as possible, a large amount of housing to address the housing shortage; and to offer the population a new domestic environment that complied with minimum standard of hygiene and comfort. By 1960 the SIT had built approximately 30,000 units which only addressed about 20% on the housing demand.



Shophouses

In 1959, Singapore was granted self-government and the newly formed People’s Action Party (PAP) was elected to power. From the very beginning PAP made it clear that housing was a priority on its agenda. The new government dissolved the SIT in 1960 and created a new housing agency called the Housing Development Board (HDB). Today, the HDB along with the Central Provident Fund (CPF) and the Urban Redevelopment Authority (URA) form the backbone of affordable housing development program in Singapore.



Early 20<sup>th</sup> Century Housing Projects

HDB is the agency charged with development of affordable housing in Singapore. It’s 2018/19 budget is approximately 11.8 billion

Singapore Dollar (“SD”. One Singapore dollar is approximately 0.75 cent US). Since its inception the HDB has developed over a million housing units. All HDB housing units are sold as 99-year leases. There are several eligibility requirements to be able to receive government subsidy and purchase an HDB Unit such as citizenship, income limit, minimum age, and

EXHIBIT E

ATTACHMENT A

previous property ownership. HDB housing sales price is significantly subsidized with more subsidy going to lower income households. In addition, there is no correlation between the cost to build a unit and its sales price. HDB sets the sales based on affordability regardless of the cost to build the unit. HDB was not very forth coming on how much it cost to build a unit. The answer that was provided was that cost varies depending on projects and depends on competitive bids submitted by contractors. Since the focus of the Singapore government is to have its citizens as home owners, HDB housing developments are mostly for-sale dwelling units. HDB also integrates, community spaces, commercial, and retail components in most of its housing development projects. Apart from for-sale units, HDB also develops rental units to address affordability at lower income. About 6% on the units developed by HDB are rental units. Monthly rents range from SD 26 to 205 for a studio and SD 44-275 for a one-bedroom unit based on income.



Pinnacle@Duxton

Total monthly household income cannot exceed SD 1,500 to qualify for a rental unit. HDB units have a 5-year owner occupant requirement after which the owner can sell the unit at market price. Owners who have sold their units get a second chance to buy another HDB subsidized unit. After the 2<sup>nd</sup> sale, there is no HDB subsidy and units can be bought only at market price. Units can only be sold to Singapore citizens or permanent residents.

Unit Type	Studio	One Bedroom	2 Bedroom	3 Bedroom
Floor area (sq. ft)	380-480	700	970	1185
Average Original Sales Price (SD)	113,000	194,000	295,000	381,000
Median Monthly House Hold Income (SD)	2,000	2,600	4,600	6,500
Government Grants Available to Qualifying Households (SD)	85,000	65,000	45,000	0
Sales Price after Subsidy (SD)	38,000	129,000	250,000	381,000
Monthly Mortgage Payment (SD)	122	498	1,001	1,556
Mortgage as % of Household Income (SD)	6%	19%	22%	24%

HDB Unit Price and Subsidy

Buying a unit from HDB	Buying a resale unit on the open market	
	With CPF Grant	Without CPF Grant
Two Singapore Citizens (SCs) One SC and one Singapore Permanent Resident (SPR)	Two SCs One SC and one SPR Two SPRs	
Monthly Household Income not to exceed SD12,000	No income limit	
Applicants must be at least 21 years old and form a family nucleus		
Applicants must not own any private residential property in the last 30 months prior to application	Owners of private residential property must sell their property within six months from effective date of unit purchase	
	Applicants must be first-time home buyers	

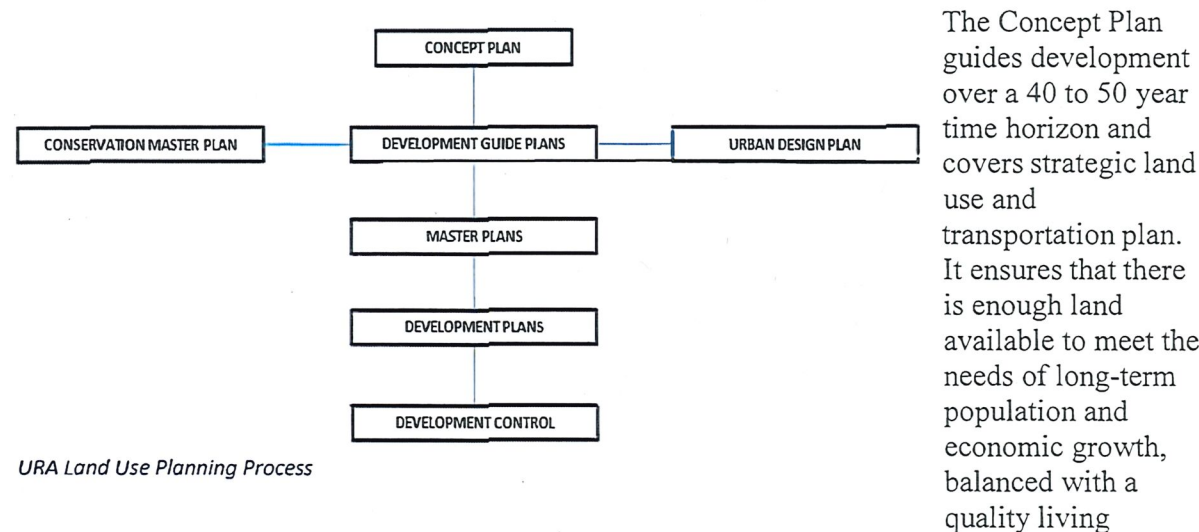
HDB Unit Buyer Qualification

EXHIBIT E

ATTACHMENT A

The CPF is a 401-K type savings plan for working Singapore residents. Both employers and employees make contribution to the CPF which can be used for housing, retirement, and healthcare. Currently the employee contribution is 20% of wage and employer contribution is 17% of the wage. Approximately 60% of the CPF can be used for housing, investment, and education expenses. The remaining 40% is allocated to healthcare and retirement. Individuals or households can borrow from their CPF account for down payment to buy a unit as well as for mortgage payment. The interest in these loans are usually very low and currently it is 2.6%.

The URA is the central planning agency administrating planning and development controls. Its main functions are to prepare and revise development plans; control land use and development; establish good urban form; implement conservation; and coordinate public and private sector development proposals. Land use planning in Singapore appears to be very structured and integrated with transportation and infrastructure development.



URA Land Use Planning Process

environment. The Concept Plan is reviewed every 10 years. The Master Plan translates the broad, long-term strategies set out in the Concept Plan into more detailed plans for implementation. It specifies permissible land use and densities, with the aim of guiding development over a 10 to 15-year period. The Master Plan is reviewed every five years. Development Plans and Development Controls are used to review and permit development projects. Since 1959, the policy has been for the government to decide when and where



Concept Plan/Model

development and land use changes would take place. The URA uses the Development Plan and Development Control to negotiate the development type, location, and public benefits for development projects.

Almost all new development projects are integrated with mass transit and provide commercial, retail and recreational facilities within the development cluster. Since Singapore has a single layer of government, coordination between various agencies that are involved in land use



Examples of Development Plans

Map of Hong Kong, Kowloon, & New Territories

EXHIBIT E

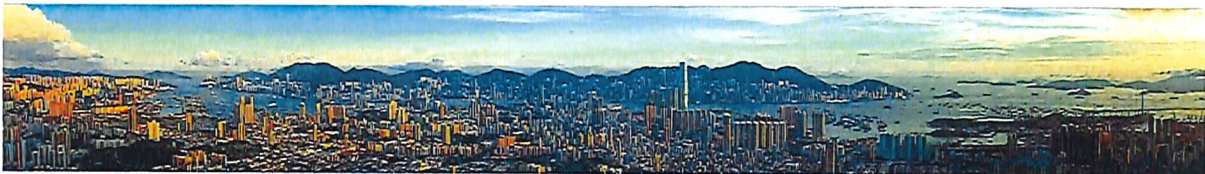
ATTACHMENT A

planning, infrastructure planning and development, and housing development appear to be efficient and seamless.

**HONG KONG:** Hong Kong was a British colony from 1842 until 1942. In 1984, the United Kingdom agreed to transfer the colony to China in 1997 provided that China would guarantee Hong Kong’s economic and political system for 50 years after the transfer. This has resulted in what is locally called a “one country, two systems”. In 2047, Hong Kong will come under the full control of the Peoples Republic of China. Hong Kong is often ranked as the world’s freest economy and its per capita GPD is 16<sup>th</sup> highest among 187 countries rated by the International Monitory Fund. The table below provides a quick comparison between Singapore and Honolulu in terms of size, population, and the economy.

	Hong Kong	Honolulu (Oahu)
Land Area	428 sq. mile	597 sq. mile
Population	7,500,000	976,000
GDP	\$381billion	\$74 billion
Population Density	17,552/sq. mile	1,636/sq. mile
Median Home price to median income ratio	20	9.4

As the median home price to median income ration indicates, Hong Kong has a severe affordable housing problem. The delegation visited what is locally called a ‘sub divided’ housing where



Kowloon Ariel View

individual rooms are partitioned off into smaller (about 4 feet wide) units and rented out in walk up buildings that are 8-10 story high. These ‘sub-divided’ unit share substandard common kitchen and bathroom and rent for as much as \$300 a month. Below are some pictures of these ‘sub-divided’ housing units that were published by the Guardian in 2017

<https://www.theguardian.com/cities/gallery/2017/jun/07/boxed-life-inside-hong-kong-coffin-cubicles-cage-homes-in-pictures>.



Sub-divided units in Hong Kong

The Hong Kong Housing Authority (HHA) was founded in 1973 to address affordable housing problem. Its current goal is to develop 45,000 dwelling units per year over the next 10 year. Even with that production goal Hong-Kong is still anticipating future affordable housing shortage. The HHA is a large agency with over 10,000 employees and plans, designs, and builds affordable housing projects. HHA housing program includes; public rental housing, rented at discounted rates to low-income residents; Home Ownership and Flat-for-Sale Schemes, providing subsidized for-sale units to low-income residents, usually within public rental housing areas; Tenants Purchase Scheme/My Home Purchase Plan, allowing existing tenants of public housing to purchase their flat (for residents with income less than \$4,975 and assets under \$76,520); Gap group housing scheme (discontinued in 2000), offered sale of public units to lower-middle and middle-income residents who did not qualify for low-income public housing,

EXHIBIT E

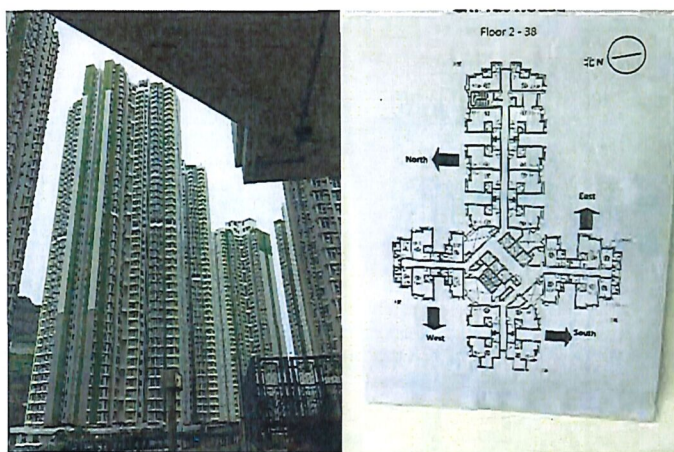
ATTACHMENT A

but cannot afford private housing. There are eligibility requirements to rent or purchase HHA units, which are:

- must be at least 18 years old.
- you and your family member(s) must be residing in Hong Kong.
- your household monthly income and assets must not exceed program limits. (1 person - \$1,510/month income, \$32,780 assets; 4-person family – \$3,730/month income, \$67,600 assets)
- you and your family member(s) must possess no property in Hong Kong.
- at the time of occupancy, at least half of your family members included in the application must have lived in Hong Kong for seven years and still be living in Hong Kong.

In conversation with HHA staff it was mentioned that even though affordable unit were sold at subsidized prices, the sale price was more than the cost of development and the HHA actually makes a small profit on these sales.

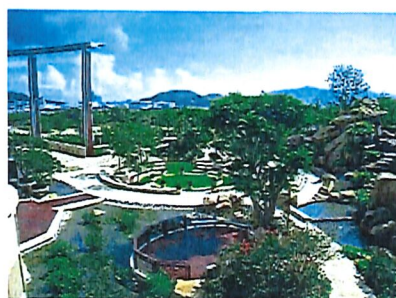
The delegation visited one of HHA's affordable housing project, the On Tat Estate, located in the New Territories. The development is a rental project with 11 tower blocks consisting of 9,400 units. Total population in the development at full occupancy is 23,700. The project is integrated with mass transit and includes commercial and retail at the ground level. In general, almost all housing estate project in Hong Kong are well integrated with mass transit and include commercial and retail elements to support resident population. At a population of 23,700 On Tat could almost be a small city by itself. Most new housing development (affordable as well as market) in Hong Kong seem to be at the scale of On Tat or larger. A typical studio unit in On Tat we looked at was 150 square feet in area and we were told that up to 4 people will live in that space.



*On Tat Estate Towers and Typical Floor Plan*

The delegation also visited a market housing development by the Hong Kong Mass Transit Railway Corporation (MTR), the LOHAS Park. The development includes 50 residential towers, 21,500 units and will accommodate 58,000 residents when completed. MTR was a public transit company that was privatized in 2000 and 75% of which is owned by the Hong Kong government. MTR has a transit plus development business model and is one of the few profitable mass transit companies in the world (see <https://www.theguardian.com/cities/2019/mar/19/how-public-transport-actually-turns-a-profit-in-hong-kong>). MTR purchases land from the government and develops transit nodes with accompanying residential mixed-use developments.

About 70% of land in Hong Kong is set aside for



*Central Park in LOHAS Park Development*

preservation, 6% is in agriculture use, and only 24% is available for development. A

lot of development in Hong Kong sits on reclaimed land, though lately reclamation is not popular with the public because of environmental issues. Lack of developable land is one of the biggest challenges facing affordable housing development in Hong Kong. This is also compounded by the fact that affordable housing developments compete for land



*LOHAS Park*

## EXHIBIT E

## ATTACHMENT A

with MRT type developments where the government can make money by selling land. Virtually all land ownership in Hong Kong is leasehold and lease term varies from 75-99 years. From what I understand, the only fee-simple owner of land in Hong Kong is St John's Cathedral in Central neighborhood which was granted the freehold in 1843. There also appear to be some 999-year leases that were granted in the 19<sup>th</sup> century.

Land use appears to be very efficient in Hong Kong. A typical mixed-use development uses the same piece of land in the form of rail track/depot/station, commercial/community space, hotel, and residential development, where various uses are layered vertically.

In both Singapore and Hong Kong, a single layer of government makes coordination between various agencies much more efficient and allows for high integration of urban planning, land use, infrastructure development, and transportation.

In both Singapore and Hong Kong, affordable housing construction is prefabricated concrete. Individual residential units are prefabricated in shop and hoisted into the structure on site, increasing construction efficiency. Some projects have bathroom and kitchen finishes already integrated into the prefab unit.

Per **Exhibit E-1**, Singapore provides an annual subsidy of over SD 1.7 billion (close to US\$1.25 billion) to HDB to make housing affordable. Though HHA responded that it makes a small profit in sale of affordable unit, it appears that Hong Kong too provides some subsidy to make the units affordable. Information on the subsidy for Hong Kong was not readily available.

## **EXHIBIT E**

### **ATTACHMENT A**

About HDB

The Housing & Development Board (HDB) is Singapore's public housing authority and a statutory board under the Ministry of National Development. Besides planning and developing Singapore's housing estates, we build homes and transform towns to create a comfortable living environment for all. HDB provides various commercial, recreational, and social amenities in our towns for our residents' convenience.

HDB has earned much international acclaim, including garnering the 2010 United Nations Habitat Scroll of Honour Award, one of the most prestigious global human settlements awards.

History

Established on 1 February 1960 to solve Singapore's housing crisis, HDB was tasked with providing sanitary living conditions to replace the prevalent unhygienic slums and crowded squatter settlements. We built and delivered 21,000 flats in less than three years. By 1965, 54,000 flats were built and the housing crisis was resolved within a decade of our formation.

Public Housing — A Singapore Icon

Singapore's public housing has housed an entire nation — today, more than 1 million flats have been completed in 23 towns and three estates across the island. HDB flats are homes to over 80 percent of Singapore's resident population. Of these, about nine in 10 are proud owners of the flats they live in.

HDB will continue to deliver a quality living environment to meet the evolving lifestyle aspirations of our residents. Towards this end, HDB has embarked on a *Roadmap to Better Living in HDB Towns*. The roadmap outlines our key priorities of achieving well-designed, sustainable, and community-centric towns. We will continue to build new-generation and smart housing, and create the best conducive living environment where communities thrive.

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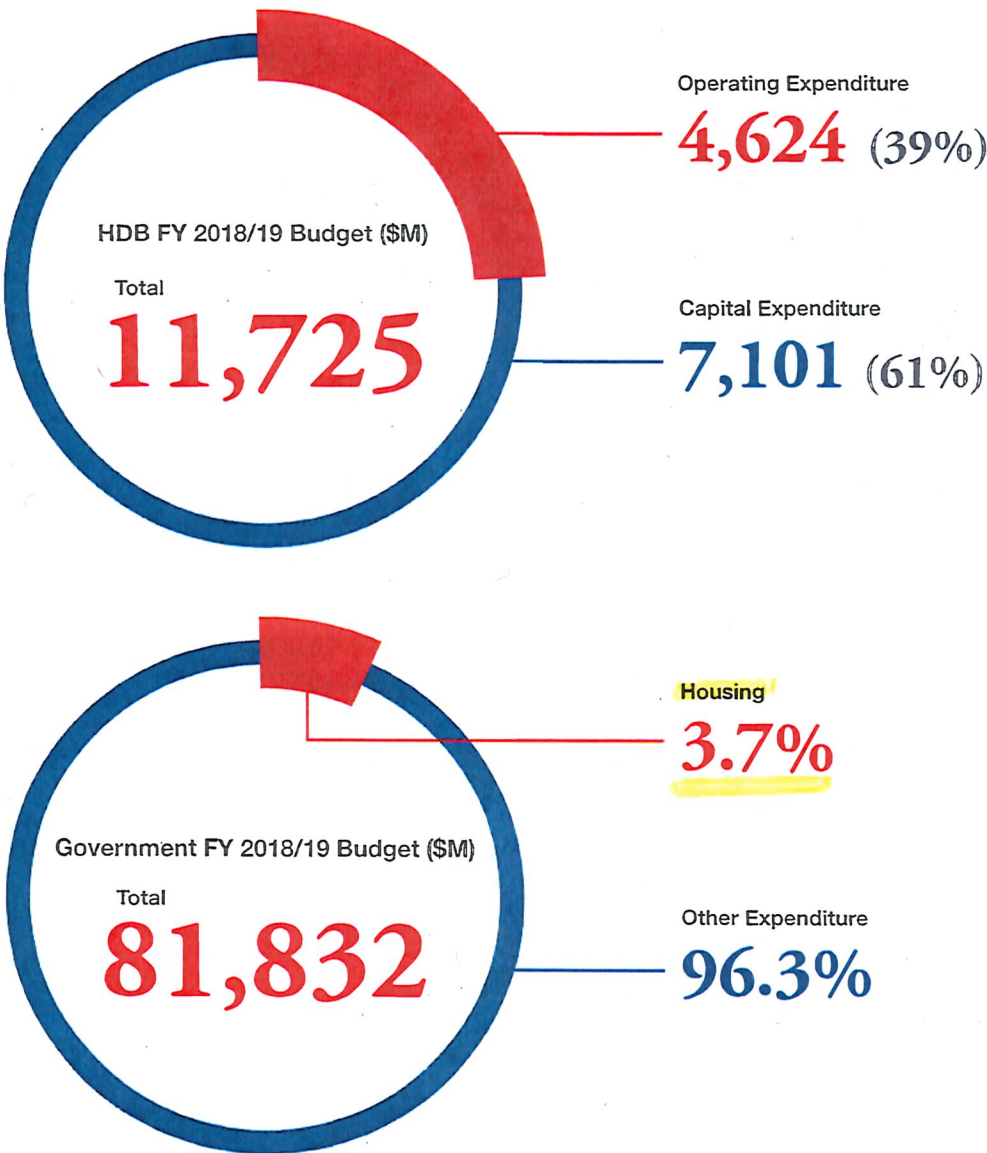
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Note:  
The information is updated as of March 2017.

EXHIBIT E-1

2. GOVERNMENT ANNUAL BUDGET

HDB AND GOVERNMENT EXPENDITURE<sup>1</sup>



Amount allocated to Housing = 3,038M<sup>2</sup> (3.7% of total Government Budget)

<sup>1</sup> HDB is a statutory board established under statute. Its expenditure does not form part of government expenditure. The charts are for comparison purpose only.

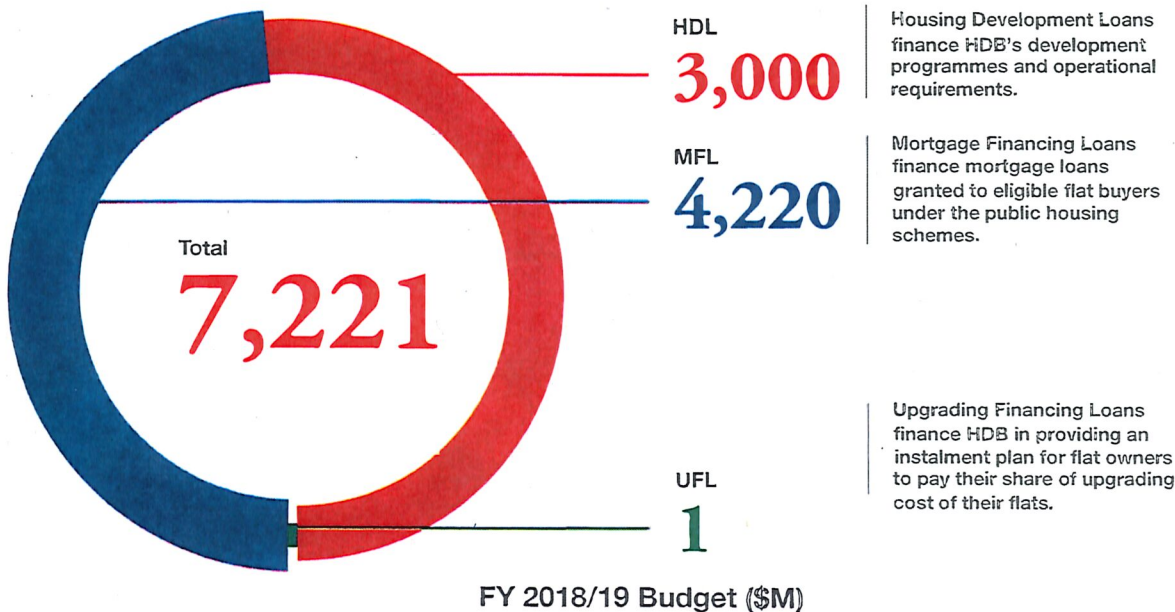
<sup>2</sup> Government spending on housing includes:

- Grant to HDB to cover its annual deficit and to safeguard the reserves of past governments;
- Expenditure on infrastructure and estates upgrading;
- Grants to Town Councils for estate maintenance; and
- Service & Conservancy Charges rebates to eligible households.

### 3. FINANCING OF PUBLIC HOUSING

The public housing programme is funded through Government loans and grants.

#### GOVERNMENT LOANS FOR PUBLIC HOUSING



#### GOVERNMENT GRANT

The Government provides a housing grant to cover HDB's annual deficit incurred for its operations, which include housing subsidies and subsidies for upgrading of older estates.

#### BONDS AND BANK LOANS

HDB will, from time to time, issue bonds (or notes) to finance its development programme, working capital requirements, as well as refinance its existing borrowings. Alternatively, it may take out short-term bank loans. Since 15 October 2015, Moody's Investors Service has assigned a Aaa issuer rating to HDB and a (P)Aaa rating to HDB's S\$32 billion Multi-currency Medium Term Notes Programme.

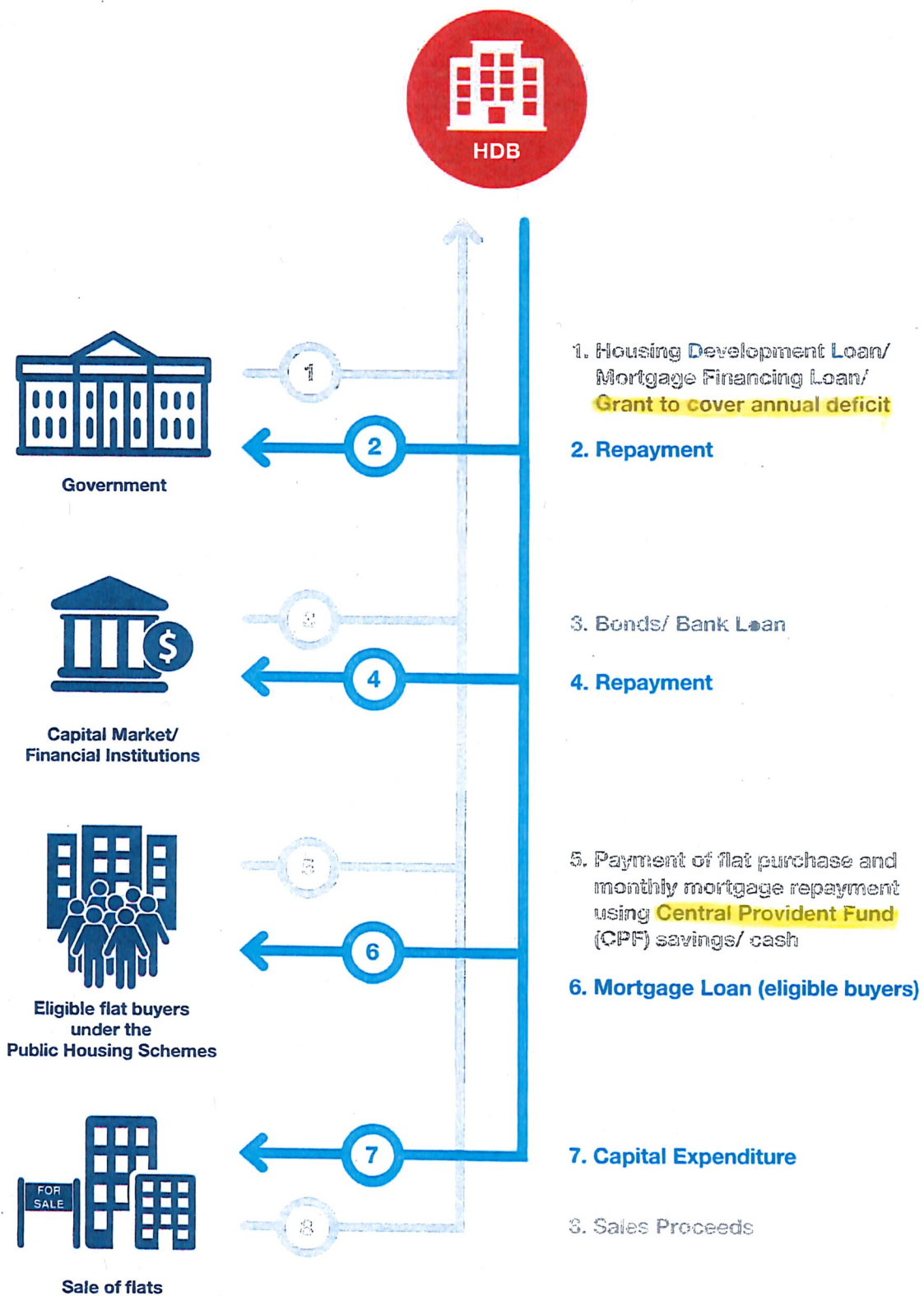


EXHIBIT E-1

4. FINANCIAL HIGHLIGHTS

INCOME AND EXPENDITURE STATEMENT

	FY 2017/18 Actual Surplus (Deficit) \$M
<b>Housing</b>	
Home Ownership	(1,383)
Upgrading	(639)
Residential ancillary functions	(338)
Rental flats	(92)
Mortgage financing	(23)
<b>Other Activities</b>	
Other rental and related businesses	753
Agency and others	5
<b>Net Deficit</b>	<b>(1,717)</b>

Note:  
Net deficit is covered by Government grant  
The cumulative grant from the Government since inception on 1 February 1960 is \$31,501M