



HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

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STATE CLOSES LEASEHOLD SALE OF RENTAL HOUSING PORTFOLIO

HONOLULU – The State closed on the leasehold sale of five of six properties in the Affordable Rental Housing Portfolio to Komohale LP, a partnership between local developer Stanford Carr Development, LLC and Los Angeles-based Standard Communities.

The leasehold sale achieves the dual goals of rehabilitating the properties for long-term preservation and fulfilling the State’s promise to minimize displacement of existing tenants. The terms of the leasehold sale ensure the properties’ long term-affordability while enabling substantial renovations to be completed faster than possible under the State’s ownership. Divesting itself of the rental housing portfolio also frees up HHFDC’s existing resources, as well as provides new capital, that will enable HHFDC to further focus on its primary goal of increasing the supply of new affordable housing.

“Leveraging private funds through partnerships like this is a more efficient use of State resources. It’s more cost effective to sell the leasehold interest and have Standard Communities and Stanford Carr Development bring private capital to pay for renovations and other capital improvements through the sale,” said Governor David Y. Ige.

The Portfolio consists of the following six affordable rental housing and mixed-use properties with 1,221 residential units and approximately 86,000 square feet of commercial space:

<u>Property</u>	<u>Location</u>	<u>Type</u>	<u>Units</u>
Pohulani Elderly	Kakaako, Oahu	Elderly	263
Kauhale Kakaako	Kakaako, Oahu	Family	268
Kamakee Vista	Kakaako, Oahu	Family	226
Kekuilani Courts	Kapolei, Oahu	Family	80
Honokowai Kauhale	Lahaina, Maui	Family	184
Lailani Apartments	Kailua-Kona, Hawaii	Family	200

The closing of Kamakee Vista is scheduled to occur by July 15, 2019 upon resolution of ongoing discussions with Atherton Family Foundation, the property’s landowner.

Sales Proceeds to Go Toward More Affordable Housing

Estimated net proceeds to HHFDC from the \$100 million portfolio sale price for the first five properties are approximately \$26 million, and Komohale will be investing approximately \$85 million of private funds to complete capital improvements and renovations at the properties. In addition to its prior commitment to use net proceeds for the development of new affordable rental housing, the HHFDC board has established a subcommittee to consider additional uses of the transaction proceeds.

“By using the proceeds to add more affordable units to serve the 60% Area Median Income (AMI) demographic and having the private sector preserve the existing 80% and 100% AMI demographic of the RHS portfolio, we serve a greater percentage and broader range of households,” said Craig Hirai, executive director of HHFDC.

Standard Communities Co-Founder Jeff Jaeger added, “We are excited to partner with HHFDC for this transaction to accomplish our shared goal of providing high-quality affordable housing, which these properties will certainly be following the planned renovations, to residents who need it most. This is a rare opportunity to have a positive impact on more than 1,200 families, and we look forward to continuing our work to improve the properties and strengthen these communities

for years to come. While we are busy renovating these properties, HHFDC will be putting the proceeds of the transaction to work for the benefit of thousands of additional households throughout Hawaii.”

Background

On December 13, 2018, the HHFDC Board of Directors approved the leasehold sale of the Portfolio to Komohale for \$130 million, with the buyer committing to undertake a major renovation program at an estimated cost of \$85.1 million, which is projected to be completed within three years. All required renovation funds were set aside at the transaction closing, and Komohale will reinvest any cost savings in additional property improvements.

100% of the Portfolio’s units will be renovated, minimizing long-term replacement budgets and providing a uniform standard throughout the properties.

Long-Term Rental Housing Affordability Preserved

Rents at the properties will remain affordable throughout the 75-yearⁱ ground lease terms, with maximum rents of no greater than either 80 or 100 percent of the U.S. Department of Housing and Urban Development AMI rent guidelines.

- For existing residents at Pohulani Elderly, annual rent increases will be restricted to no more than two percent (2%) for the duration of the tenants’ residencies (subject to the AMI rent limits.)
- For existing residents at the five family properties, annual rent increases will be restricted to no more than two percent (2%) for the next five years and five percent (5%) for the subsequent 30 years (subject to the AMI rent limits.)
- The residencies of existing tenants who earn in excess of the AMI limits will be grandfathered, allowing them to stay in their units.

Rent Subsidies Increased and Extended

In connection with the portfolio restructuring and preservation, the HHFDC board awarded \$23.8 million in project-based Rental Assistance Program (RAP) contracts to Komohale. The contracts increase and extend existing rent subsidies for households who currently participate in the program and earn less than 80 percent of the AMI.

- At Pohulani Elderly, HHFDC will provide an initial 20-year RAP contract that increases the maximum monthly subsidy from \$250 to \$300.
- At the four family properties where RAP subsidies are currently offered, HHFDC will provide 10-year RAP contracts that increase the maximum monthly subsidy from \$175 to \$225. In the sixth year of the contract, the maximum monthly subsidy will increase to \$500.
- At Kekuilani Courts, where RAP subsidies are not currently offered, HHFDC will provide a five (5)-year RAP contract through which a subsidy of up to \$500 per month will be available to qualified residents beginning in 2024.

Property Renovation Program

Komohale has committed to a \$85.1 million renovation program for common-area and unit renovations to be completed within the first three years. Improvements will include replacement of cabinets, countertops, plumbing, appliances, flooring, and painting in units. Common areas will be refreshed with new paint and carpets, and community rooms will be renovated. In addition, building systems such as elevators, facades, roofing, and windows are budgeted for repair/replacement. The defective building siding at Honokowai Kauhale will be replaced, as will the exterior stair systems.

Resident Education and Counseling Services Program

Komohale will offer residents a robust package of education and counseling services to enrich the lives of the properties' tenants and their families, with focus on the following areas:

- Education, including after-school tutoring and enrichment, computer learning opportunities and English as a Second Language as well as General Equivalency Diploma (GED) classes;
- Financial literacy, including budgeting, credit utilization and debt management, income planning, and homeownership preparation; and
- Health, including screenings, diabetes prevention, exercise classes, and food distributions.

Property Management

Komohale will retain current property management agent Hawaii Affordable Properties, Inc., which currently manages over 3,000 residential apartments in 41 projects throughout Hawaii.

About Komohale LP

Komohale LP is a partnership between Stanford Carr Development, LLC (“SCD”) and Standard Communities (“Standard”).

About Stanford Carr Development

Honolulu-based SCD is wholly-owned by its founder Stanford Carr and has developed over 5,000 homes in Hawaii with a combined sales volume of \$2.0 billion. Examples of SCD’s affordable multifamily rental projects include Franciscan Vistas, Halekauwila Place, Keauhou Lane, and the recently completed Hale Kewalo.

“We look forward to collaborating with the State to help improve the quality of life for residents,” said Stanford Carr.

About Standard Communities

Founded in 2008, Los Angeles-based Standard Communities is the affordable housing division of Standard Companies, a full-service investment and asset management firm that operates in

sectors where it has developed expertise. Based in Los Angeles, with offices in New York, Washington, D.C., Orange County and Chicago, Standard Communities works to create, preserve, and improve affordable and workforce housing nationwide. Standard Companies has a portfolio of over 12,300 apartment units, of which more than 8,500 are affordable, and has completed more than \$1.7 billion of affordable housing acquisitions and rehabilitations.

About the Hawaii Housing Finance and Development Corporation

The mission of the Hawaii Housing Finance and Development Corporation is to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools, and resources to facilitate housing development. HHFDC is administratively attached to the State of Hawaii, Department of Business, Economic Development and Tourism and is governed by a nine-member Board of Directors which establishes policies and executive direction for the corporation.

The Honolulu office of CBRE, Inc., assisted by its Seattle-based affordable housing practice, provided advisory and transaction services to HHFDC.

The Honolulu law firm of Goodsill Anderson Quinn & Stifel is providing legal services for the transaction through a contract with the Department of the Attorney General.

For more information, contact: Kent Miyasaki, Information Officer,
Hawai'i Housing Finance and Development Corporation, at (808) 341-4069 or Kent.K.Miyasaki@hawaii.gov.
www.dbedt.hawaii.gov/hhfdc/

ⁱ For Kamakee Vista, the term will be equal to the remaining term of the existing ground lease with Atherton Family Foundation which expires on December 31, 2056.