

FOR INFORMATION

I. SUBJECT

Information on the Hawaii Housing Finance and Development Corporation's Shared Appreciation Equity (SAE) Program for The Central Ala Moana and The Block 803 Waimanu Projects

II. FACTS

- A. On February 23, 1990, the HFDC Board of Directors adopted the shared appreciation equity ("SAE") program.
- B. The SAE was incorporated in the Hawaii Revised Statutes ("HRS") as section §201H-47(a) (4) (D), HRS, which is synonymous with HHFDC's 10-year "buyback" program in section §201H-47(a) (1) ("HHFDC Affordable Restrictions"). The provisions of sections §201H-47 through 51, HRS are imposed on all affordable properties developed or sold under Chapter 201H, HRS and runs with the land.
- C. The SAE program provides qualified buyers with an opportunity to purchase a property at below fair market value. In return, the buyer agrees to share a percentage of the property's future appreciation with the HHFDC.
- D. The SAE percentage shares for each unit are established prior to closing on the sale of the unit based in part on the current, unrestricted fair market value of the unit. (See Exhibit A)
- E. Among other things, the SAE program requires owner occupancy and under certain situations, HHFDC's prior written consent, for as long as the program is effective. The SAE can be paid at any time after the initial purchase is recorded but is due and payable upon sale, transfer, rental of any part of the property or owner's non-occupancy of the unit as the principal, physical residence ("SAE Triggers").
- F. The HHFDC is entitled to be paid the SAE or net share of appreciation in the event of a SAE Trigger. If not paid when due and payable, simple interest at 12% per year shall accrue on the HHFDC's SAE amount until paid in full. (See Exhibit A, part II)

III. DISCUSSION

- A. The Central Ala Moana Project. On July 12, 2018, the HHFDC's Board of Directors ("Board") approved SAMKOO Hawaii, LLC and the Project pursuant to Section 15-307-24, Hawaii Administrative Rules ("HAR") and 201H-38, Hawaii Revised Statutes ("HRS"), respectively. On August 15, 2018, the Honolulu City Council approved the Project and authorized exemptions statutes, ordinances and rules relating to the Project. (See Exhibit B)
- B. The development is a 43-story high-rise mixed-use project consisting of 513 residential units, an 11-story free-standing parking structure containing 812

parking stalls, commercial spaces, and amenities on the top of the parking deck and street levels. Of the 513 units, 203 were designated as market-priced units and includes a resident manager unit. Three hundred ten (310) units were designated as affordable units and sold to qualified buyers having household incomes at or below 140% of the area median income.

- C. In April, 2021, HHFDC commissioned an appraiser on behalf of the project's affordable buyers to provide 310 appraisals for purposes of establishing the SAE percent shares. Staff determined the average SAE percent shares as follows to prepare the form of SAE agreement between buyer/owner and the HHFDC.

Unit Type	Total No. of Units	Average Sales Price	Average Appraisal Value	Average Percent Share	Current average SAE payment	Cumulative SAE per No of Unit Type
Studio	93	\$334,043	\$457,226	27%	\$33,259	\$3,093,087
1 Bedroom	107	\$478,561	\$599,477	20%	\$24,183	\$2,587,581
2 Bedroom	101	\$564,267	\$720,980	22%	\$34,477	\$3,482,177
3 Bedroom	9	\$704,000	\$852,000	17%	\$25,160	\$226,440
Total	310					\$9,389,285

- D. As of November 4, 2021, developer has completed the sale of 501 units. The remaining 12 units are developer resale units resulting from cancellation by the original buyers due to impacts of the COVID pandemic. The resale closings are scheduled for December 17, 2021.
- E. The 803 Waimanu Project. On September 10, 2015, the Board approved the 803 Waimanu project and use of a Dwelling Unit Revolving Fund Interim Loan in the amount of up to \$9,190,000. (See Exhibit C)
- F. The project is a 7-story, 153-unit residential condominium having a six (6) story U-shaped building atop a one-story podium structure, 3,148 square foot landscaped courtyard on the second level, and two (2) additional landscaped roof decks totaling 5,329 square feet as passive recreation area.
- G. Of the total 153 units, 57 are subject to the HCDA's program and 96 units are designated as HHFDC program units consisting of 19 market-priced units and 77 affordable units subject to HHFDC's Affordable Restrictions. HHFDC's units are sold to qualified buyers having household incomes at 110% and below the area median income.
- H. Due to the unique composition of the project, i.e. Reserved Housing and Affordable Housing program differences, the developer elected to initiate the marketing and sale of the HCDA units first. In late-2017, amid competing developments like the Kapiolani Residence and Ke Kilohana projects, the developer initiated the marketing and sales program for the HHFDC units.
- I. In September 2021, HHFDC commissioned an appraiser on behalf of the HHFDC affordable unit buyers to provide 29 appraisals for purposes of establishing the

SAE percent shares. Staff determined the average SAE percent shares as follows to prepare the form of SAE agreement between buyer/owner and the HHFDC.

Unit Type	No. of Units	No. of Units Sold	Average Sales Price	Average Current Appraisal Value	Average Percent Share	Current Average SAE Payment	Cumulative SAE per No of Unit Type
Studio - with parking	15	8	\$349,441	\$427,625	18%	\$14,073	\$112,585
Studio - without parking	62	21	\$280,387	\$380,286	26%	\$25,974	\$545,445
Total	77	29					\$658,030*

* Includes sold units only.

J. The developer is scheduled to relaunch its marketing and sales program to sell the remaining unsold units in late November and close on the sale of 105 total units (combined HCDA and HHFDC) on December 20, 21 and 22, 2021.

Attachments: Exhibit A – HHFDC SAE Program Computation
 Exhibit B – The Central Ala Moana Approved For Action without Exhibits
 Exhibit C – The 803 Waimanu Approved For Action without Exhibits

Prepared by: Lorna Kometani, Real Estate Services Section Chief



Reviewed by: Dean Minakami, Development Branch Chief



** correction noted on Exhibit A, Part II*

HHFDC's SAE Program Computation

Part I – Establishing the SAE Percentages and Estimating future payment

A. Establishing the Percentage Share

Fair market value of the Property by appraisal:	\$450,000
MINUS Grantee's Original Purchase Price :	<u>(\$350,000)</u>
EQUALS Net Appreciation:	=\$100,000
Net Appreciation DIVIDED BY Fair Market Value:	\$100,000/\$450,000
EQUALS HHFDC Percent Share :	22%
Owner's percent share is the difference between 100% and HHFDC's share:	78%

HHFDC's percent share is 22%

Owner's percent share is 78%

B. Calculating HHFDC's future SAE payment – using above amounts.

Future Fair market value of the Property: (by new appraisal commissioned by HHFDC and paid for by owner)	\$500,000
MINUS Grantee's Original Purchase Price:	<u>(\$350,000)</u>
EQUALS: Net Appreciation :	=\$150,000
MULTIPLIED BY: fixed HHFDC percent share:	22%
EQUALS: HHFDC SAE Payment :	=\$33,000

Part II – Computation of SAE payment with 12% interest (using section B, above)

Fair market value of the Property*: (at time of sale, transfer, rental or owner's non-occupancy)	\$500,000
MINUS Grantee's Original Purchase Price:	<u>(\$350,000)</u>
EQUALS: Net Appreciation :	=\$150,000
MULTIPLIED BY: fixed HHFDC percent share:	22%
EQUALS: HHFDC SAE Payment as of sale date: (1 year ago)	=\$33,000.00
	\$ 3,960
PLUS: Simple interest of 12% on \$33,000 for 1 year	=\$4,296.33
TOTAL AMOUNT DUE TO THE HHFDC:	=\$37,296.33
	\$ 36,960

FOR ACTION

I. REQUEST:

Approve the Certification of Samkoo Hawaii, LLC, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer Pursuant to Section 15-307-24, Hawaii Administrative Rules; the Project Proposal Including Exemptions from Statutes, Ordinances and Rules Pursuant to Section 201H-38, Hawaii Revised Statutes; and Execution of Development Documents for Approved Exemptions for the Proposed Central Ala Moana Project, Located in Ala Moana, Oahu, TMK No.: (1) 2-3-039:011

II. FACTS

Project: The Central Ala Moana
 Location: 1391 Kapiolani Boulevard, Honolulu, Hawaii 96814
 HHFDC Involvement: Sponsor and 201H Application
 Landownership: Private
 Type: Mixed-Use (residential condominium/retail)
 No. of Units: 513 units, inclusive of manager's unit

Proposed Unit Distribution by AMI category, unit size and price range:

UNIT TYPE	AFFORDABLE UNITS						AFFORDABLE UNITS	MARKET UNITS
	AMI CATEGORY AND UNIT SIZE RANGES							
	80% -90% AMI	90%-100% AMI	100%- 110% AMI	110%- 120% AMI	120%- 130% AMI	130%- 140% AMI		
STUDIO	36	24	26	7	N/A	N/A	93	N/A
Area Range (sf)	394 - 446	394 - 446	394 - 446	446	N/A	N/A		
Price Range	\$286K - \$317K	\$320K - \$353K	\$356K - \$389K	\$391K - \$400K	N/A	N/A		
1-BR/1 BATH	N/A	9	27	21	45	5	107	38
Area Range (sf)	N/A	694	694 - 702	694 - 702	688 - 702	688		
Price Range	N/A	\$396K - \$404K	\$437K - \$445K	\$473K - \$485K	\$504K - \$526K	\$558K - \$566K		
2-BR/2 BATH	N/A	N/A	8	33	23	37	101	122
Area Range (sf)	N/A	N/A	1,006	979-1,044	979-1,006	979-1,044		
Price Range	N/A	N/A	\$493K - \$500K	\$512K - \$544K	\$547K - \$592K	\$593K - \$637K		
3-BR/2-3 BATHS	N/A	N/A	N/A	N/A	N/A	9 units	9	43
Area Range (sf)	N/A	N/A	N/A	N/A	N/A	1,240 sf		
Price Range	N/A	N/A	N/A	N/A	N/A	\$700K - \$708K		
TOTAL	36	33	61	61	68	51	310	203

Target Market:	
Units @ 80% - 100% AMI	69
Units @ 100% - 120% AMI	122
Units @ 120% - 140% AMI	119
Market Units	202
Manager's Unit	<u>1</u>
Total Units	513
Retail Space (sq. ft.)	10,522
Common Area (sq. ft.)	38,607
Parking Stalls	803
Land Area	1.43 acre (62,328 square feet)
Zoning:	BMX-3 Community Business Mixed Use
LUC District:	Urban
TMK:	(1) 2-3-039:011
Developer:	Samkoo Hawaii, LLC
Developer Contact:	Pacific Catalyst, LLC Lowell Chun, President (808) 386-9596 pacificcatalyst@gmail.com

- A. The Central Ala Moana is a proposed residential and commercial mixed-use project with 513 residential units and approximately 10,500 square feet of commercial retail space, located in the Ala Moana neighborhood of Central Honolulu ("Project"). The site is located on a 1.43-acre parcel zoned as BMX-3 Community Business Mixed-Use. See Exhibit "A", Location Map.
- B. The Project will consist of 310 affordable (60%) and 203 market rate (including manager's residence) condominium units in a 43-story residential tower with ground-level street front commercial spaces facing Kapiolani Boulevard and Kona Iki Street. An 11-story freestanding parking structure will contain 803 parking stalls and Kona Iki Street commercial spaces. On-site recreation and leisure open space will occupy 38,607 square feet and will consist of two major elements: a public plaza and leisure space spanning most of the Project's Kapiolani Boulevard and Kona Iki Street frontages; and a rooftop recreation deck on the top level of the parking garage. The recreation deck will feature a general-purpose pavilion, a pool and cabanas equipped with barbeque grills, a fitness center, multipurpose room, tot lot and an open lawn space for passive and informal leisure activities. The 400-foot tall tower will house 513 studio, one-bedroom, two-bedroom, and three-bedroom residential units. The Project floor area ratio (FAR) is approximately 10.0. The tower will front Kapiolani Boulevard which will provide the primary access and egress for the Project, while secondary egress and service access will be from Kona Street. Both the tower and parking garage orientation will be east-west, parallel to their respective fronting streets. See Exhibit "B", Plans, Elevations and Outline Specifications.
- C. The Project will be owned and developed by a single asset limited liability company, Samkoo Hawaii, LLC ("Developer"), whose sole member and general partner is Samkoo Pacific, LLC, a limited liability Hawaii company. Developer's Hawaii experience includes the Kapiolani Residence project, a 45-story condominium consisting of 485 units currently under construction and approved as a 201H affordable housing project which will provide 60% of its units (292 units) affordable to families at 80% - 120% AMI. Samkoo Corporation has developed two towers in Seoul, Korea. The first tower, a 20-story, 330,000 square feet Samkoo head office building, was constructed in 1991. The second tower, a 26-story, 330,000 square feet residential-commercial complex was constructed in 2006. The CEO of Samkoo Corporation, Mr. Sang Mun Kim has real estate

development and management experience as the Chief Financial Officer of Hyundai Development Company from 2000 to 2008. A summary of Mr. Kim's development experience while working for Hyundai is presented in Exhibit "C".

- D. By letter dated August 18, 2014, the City Department of Planning and Permitting (DPP) confirmed that the Developer's proposed 1391 Kapiolani Boulevard Project will not meet the City's eligibility requirements for the processing of a 201H application under the DPP's 201H process.
- E. On April 17, 2018, the Developer submitted a 201H application request to HHFDC for approval from certain exemptions from statutes, ordinances, and rules for the Project pursuant to Section 201H-38, Hawaii Revised Statutes ("HRS").
- F. On April 24, 2018, the Developer presented the Project to the Ala Moana/Kakaako Neighborhood Board No. 11, which was generally in support of the Project but did not take a position. On June 26, 2018, the Developer met again with the Ala Moana/Kakaako Neighborhood Board No. 11.
- G. A Draft Environmental Assessment and Anticipated Finding of No Significant Impact for the Project combined with the 201H list of requested exemptions (Draft EA/201H) was published by the Office of Environmental Quality Control (OEQC) in the March 23, 2018 issue of The Environmental Notice. A Final Environmental Assessment with a Finding of No Significant Impact (FEA-FONSI) for the Project was published by OEQC in the June 23, 2018 issue of The Environmental Notice.

III. DISCUSSION

- A. Under Section 201H-38 HRS, Housing development; exemption from statutes, ordinances, charter provisions, and rules, the HHFDC may develop on behalf of the State or with an eligible developer, or may assist under a government assistance program in the development of, housing projects that shall be exempt from all statutes, ordinances, charter provisions, and rules of any government agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of dwelling units thereon; provided that:
 - 1. The corporation finds the housing project is consistent with the purpose and intent of this chapter, and meets minimum requirements of health and safety;
 - 2. The development of the proposed housing project does not contravene any safety standards, tariffs, or rates and fees approved by the public utilities commission for public utilities or of the various boards of water supply authorized under chapter 54;
 - 3. The legislative body of the county in which the housing project is to be situated shall have approved the project with or without modifications:
 - a. The legislative body shall approve, approve with modification, or disapprove the project by resolution within forty-five days after the corporation has submitted the preliminary plans and specifications for the project to the legislative body. If on the forty-sixth day a project is not disapproved, it shall be deemed approved by the legislative body;

- b. No action shall be prosecuted or maintained against any county, its officials, or employees on account of actions taken by them in reviewing, approving, modifying, or disapproving the plans and specifications; and
 - c. The final plans and specifications for the project shall be deemed approved by the legislative body if the final plans and specifications do not substantially deviate from the preliminary plans and specifications. The final plans and specifications for the project shall constitute the zoning, building, construction, and subdivision standards for that project.
4. The land use commission shall approve, approve with modification, or disapprove a boundary change within forty-five days after the corporation has submitted a petition to the commission as provided in section 205-4, HRS. If, on the forty-sixth day, the petition is not disapproved, it shall be deemed approved by the commission.
- B. Application information on the requested exemptions was included in the Draft EA and letters requesting comments on the requested exemptions were sent to the affected agencies listed on the attached Exhibit "D". A summary of the exemptions requested, agency comments, developer responses and recommended actions are listed in the attached Exhibit "E". None of the exemptions recommended for approval affect health and safety, nor contravenes any safety standards, tariffs, or rates and fees approved by the public utilities commission.

Comments were received from a total of seven (7) agencies, of which five (5) provided comments specific to the exemptions under their jurisdiction. Relevant agency comments are as follow:

1. The City Department of Planning and Permitting (DPP) provided comments, dated March 14, 2018 and April 23, 2018, expressing concerns in the following areas: the Project site as a potential location for the Honolulu Authority for Rapid Transit (HART) rail guideway; building orientation; the "build-to" line under the proposed Transit Oriented Development (TOD) Plan; parking and multi-modal transportation; the proposed Project density (FAR) relative to community benefits provided; proposed yard and height setback exemptions; compliance with bicycle parking requirements of the Land Use Ordinance (LUO); the Project's eligibility for Interim Planned Development- Transit permit processing by DPP since the Project is located within the Ala Moana TOD area; park dedication exemption; traffic impacts; flood and water quality; and sea level rise. DPP's comments and the Developer's response letter are attached as Exhibit "F".
2. The City Department of Parks and Recreation (DPR) provided two letters dated March 22, 2018 and April 6, 2018, in support of the Developer's effort to provide on-site recreation space for its occupants and expressed no objection to the requested exemption from the Park Dedication Ordinance (see Exhibit "G").
3. The Honolulu Fire Department (HFD) submitted comments dated March 6, 2018 objecting to the request for an exemption from Fire Plans Review Fees (see Exhibit "H").

4. The City Department of Transportation Services (DTS) provided comments, dated April 23, 2018, regarding the HART project station location and conceptual extension; the need for consultation with HART; Interim Planned Development-Transit processing; applicability of Ordinance 18-10 to the Project; adequacy of the Traffic Impact Analysis Report (TIAR) in the Draft EA; consistency with Complete Streets policies; sustainability; construction impacts; DCAB; and sea level rise. DTS's comments and the Developer's response letter are attached as Exhibit "I".
 5. HART provided comments, dated May 11, 2018, regarding the Project location relative to the Rail Transit Project Ala Moana Station and extension. HART's comments and the Developer's response letter are attached as Exhibit "J".
- C The Developer believes that the requested exemptions are necessary to achieve and maintain the financial feasibility of the Project. Approval of the requested exemptions would enable the Developer to maximize the number of affordable units delivered at a central Honolulu location and in proximity to employment, shopping, dining, transportation, and other services. The Developer further believes that the provision of affordable housing at this high-value and convenient location is a significant contribution and community benefit that not many others would do. Finally, the Project would yield 201 more total units and 123 more affordable units than what would be allowed under the current BMX-3 zoning (about 40% more total units and 40% more affordable units). Other community benefits include larger affordable unit floor areas than comparable projects, the same unit features for the affordable and market units of the same unit type, widened sidewalk facilities, a public plaza, and public bicycle storage facilities that could become part of a bike-share program.
- C. Letters of support for the Project were provided by Council Chair Ernest Y. Martin and Councilmembers Kymberly Marcos Pine, Trevor Ozawa, Ann Kobayashi, Carol Fukunaga, Ikaika Anderson, and Joey Manahan (see Exhibit "K").
- D The estimated total project budget is approximately \$291.6 million and the proposed financing structure is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 54,027,669	
Construction Loan	186,000,000	
Homebuyer Deposits	25,000,000	
Land Collateral (2007 cost)	26,583,775	
Gross Sales Revenue		\$ 329,162,000
Total	\$ 291,611,444	

The estimated project schedule is as follows:

Process	Date
Design/Entitlement/Foundation Permit	December 2018
Closing of Construction Financing	February 2019
Construction Start	February 2019
Projected Occupancy Permit	April 2021

- E. The present legal owner of the site is Samkoo Pacific, LLC, who purchased the property in 2007 (\$26 million).
- F. The Project's development team includes:
1. Developer: Samkoo Hawaii, LLC
Timothy Yi, President
 2. EA/201H Consultant: Pacific Catalyst, LLC
Lowell Chun, President
 3. Architect: Design Partners, Inc.
Vernon Inoshita, President
 4. General Contractor: Hawaiian Dredging Construction Company
Gerry Majkut, President
 5. Legal Counsel: Rush Moore, LLP
David Shibata, Partner
 6. Management Agent: Associa Hawaii
Phyllis Okada Kacher
 7. Sales Team: Century 21 iProperties Hawaii
Abe Lee
- G. A market study, dated February 8, 2018, concluded the supply of homes is expected to fall short of fulfilling current pent-up demand, particularly for families earning between 80% AMI and 140% AMI, and there will be "more than ample demand for the units offered" by the Project.
- H. Upon approval by the HHFDC Board of Directors, the HHFDC will enter into an agreement with the Eligible Developer pursuant to section 15-307-29, HAR. The agreement is subject to modification, and will include the following applicable terms, conditions, and covenants:
1. Purpose of the agreement, which shall include the development of lower cost housing;
 2. At least 60% of the total units (310 units) shall be affordable to families at 140% and below the U.S. Department of Housing and Urban Development Area Median Income (AMI), of which at least 13% of the total units (69 units) shall be between 80% and 100% AMI, 24% of the total units (122 units) shall be between 100% and 120% AMI, and 23% of the total units (119 units) shall be between 120% and 140% AMI;
 3. The affordable for-sale units shall be subject to HHFDC's 10-year buy-back and shared appreciation requirements pursuant to Section 201H-47, HRS, and Sections 15-307-101 to 131, HAR;
 4. A description of the role and responsibility of the HHFDC, the eligible developer or contractor, and other parties to the agreement;
 5. Project concept and cost;
 6. Time required to complete the Project;

7. Delivery of dwelling units;
 8. Sales prices or rents of dwelling units;
 9. Construction agreements (when one of the parties is a contractor);
 10. Insurance and bonding or surety requirements;
 11. Construction management requirements and procedures (including permit register, document and drawing register, monthly progress reports, and change order management);
 12. Inspection requirements and procedures (including inspection approvals and sign-offs);
 13. Manner in which progress payments are made, if any; and
 14. Such standard clauses that the HHFDC determines to be required, including, but not limited to, the following:
 - a. Indemnity;
 - b. Severability;
 - c. Termination; and
 - d. Assignability.
 15. The Developer has indicated they will be submitting for GET exemption on the construction costs. Savings from the GET along with the exemptions under 201H will allow the Developer to provide the 310 units at 140% AMI and below.
- G. Sale of the affordable units will be subject to HHFDC's purchase, buyback, and shared appreciation equity program restrictions. The market units may undergo a phased sales program to reduce processing volumes, subject to HHFDC approval.
- I. HHFDC finds the following:
1. That the Developer is an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR);
 2. That the Developer has solicited community input on the Project proposal in accordance with Section 15-307-25, HAR;
 3. That the Developer's proposal and application for exemptions meet minimum proposal requirements pursuant to Section 15-307-26, HAR;
 4. That the Project primarily includes housing units affordable to households with incomes at 80% - 140% of the area median income, as determined by HUD;
 5. That the Project and proposed exemptions as recommended for approval in Exhibit "E" are consistent with the purpose and intent of Chapter 201H, HRS, and meets minimum requirements of health and safety; and
 6. That the exemptions recommended for approval do not contravene any safety standards, tariffs, or rates and fees approved by the public utilities commission for public utilities or the various boards of water supply authorized under Chapter 54, HRS.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for the The Central Ala Moana Project, in Ala Moana, Oahu, Hawaii, TMK: (1) 2-3-039:011, substantially as discussed in this For Action:

- A. Certification of Samkoo Hawaii, LLC, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-24, HAR;
- B. Development of the The Central Ala Moana Project with the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu as recommended for approval, pursuant to Section 201H-38, HRS;
- C. Execution of a development agreement required for such exemptions as approved by the Executive Director; and
- D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- E. Approval with or without modification by the Honolulu City Council pursuant to Section 201H-38, HRS; and
- F. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Attachments: Exhibit "A" – Location Map
 Exhibit "B" – Plans, Elevations and Outline Specifications
 Exhibit "C" – Developer's Development Experience
 Exhibit "D" – Distribution List of Agencies
 Exhibit "E" – Summary of Exemptions and Recommended Actions
 Exhibit "F" – DPP comments and response letter
 Exhibit "G" – DPR comments
 Exhibit "H" – HFD comments
 Exhibit "I" – DTS comments and response letter
 Exhibit "J" – HART comments and response letter
 Exhibit "K" – Letters of support

Prepared by: Ken Takahashi, Project Manager *K.T.*
Reviewed by: Richard Prahler, Development Branch Chief *MP*

Approved by The Board of Directors at its meeting
on JUL 12 2018
DEVELOPMENT BRANCH
Please take necessary action.


EXECUTIVE DIRECTOR

FOR ACTION

I. REQUEST:

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

II. FACTS

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

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

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

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

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

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

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

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

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

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

III. DISCUSSION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Zen Sawyer Consulting LLC

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

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

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

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

P. The estimated project schedule is as follows:

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

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

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

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

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

T. HHFDC finds the following:

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

IV. RECOMMENDATION

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

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

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

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

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

Prepared by: Ken Takahashi, Project Manager KJ

Reviewed by: RP Richard Prahler, Development Branch Chief RP

Approved by The Board of Directors at its meeting
on SEP 10 2015 *as amended*
DEVELOPMENT BRANCH
Please take necessary action.

[Signature]
EXECUTIVE DIRECTOR