

FOR ACTION

I. REQUEST

Approve a Rental Housing Revolving Fund Project Award for the Hale Pilina Family I Project located in Kahului, Maui, Tax Map Key: (2) 3-7-013: 026

II. FACTS

Project Name:	Hale Pilina Family I		
Applicant:	Hale Pilina I LP		
TMK and Location:	Tax Map Key: (2) 3-7-013: 026 150 South Puunene Avenue Kahului, HI 96732		
Land Tenure:	Fee Simple Fee Owner: A&B Properties Hawaii, LLC		
Project Type:	New Building		
Target Population:	Family		
Length of Affordability:	61 Years		
Affordability Restrictions:	<div>9 Units @ 30% AMGI</div> <div>9 Units @ 50% AMGI</div> <div>70 Units @ 60% AMGI</div> <div>1 Manager Unit</div> <div>89 Total Units</div>		
Projected Unit and Rent Mix:	Units	Unit Type	Monthly Rent*
	9	1-Bedroom	\$452
	5	1-Bedroom	\$840
	40	1-Bedroom	\$1,034
	4	2-Bedroom	\$983
	30	2-Bedroom	\$1,216
	1	Manager Unit	N/A
	*Net of Utility Allowance		
Estimated Completion:	First Building (Placed in Service): 2024-Q2 Last Building (Placed in Service): 2024-Q3		
Type of Construction:	89 multi-family units. Type III-B brick and joist construction with block walls, wood roof, and floor assembly.		
Amenities and Services:	Project Amenities: picnic area, laundry room, private park, security Unit Amenities: range, refrigerator, a/c, disposal		
Floor Area:	<div>51,575 SF Residential Area</div> <div>15,685 SF Common Area</div> <div>67,260 SF Total Area</div>		

<i>Developer:</i>	Catholic Charities Housing Development Corporation Contact: Michael Magaoay 1822 Keeaumoku Street, Honolulu, HI 96822 (808) 527-4835
<i>Consultant:</i>	GSF LLC Contact: Gary Furuta 1388 Ala Moana Boulevard #7301, Honolulu, HI 96814 (808) 429-7815
<i>Contractor:</i>	Arisumi Brothers Inc. Contact: Tommy Arisumi 291 Dairy Road, Kahului, HI 96732 (808) 877-5014
<i>Property Manager:</i>	Hale Mahaolu Contact: Grant Chun 200 Hina Avenue, Kahului, HI 96732 (808) 872-4100

- A. The Rental Housing Revolving Fund (RHRF) Project Award program provides “Equity Gap” low interest loans to qualified owners and developers constructing, acquiring, or rehabilitating affordable rental housing units. (NOTE: Pursuant to Act 237, SLH 2015, the Rental Housing Trust Fund was reclassified as a Rental Housing Revolving Fund, effective July 14, 2015.)
- B. On February 17, 2022, Hale Pilina I LP (Applicant) submitted a consolidated application on behalf of Hale Pilina Family I (Project) for the Fiscal Year 2022 Funding Round requesting the following program resources:
1. \$1,833,216 in annual Federal Low-Income Housing Tax Credits (LIHTC) over a 10-year period and \$1,883,216 in annual State LIHTC over a 5-year period from the volume cap pool (9% LIHTC); and
 2. RHRF loan of up to \$17,000,000.
- C. A separate For Action is being presented at the June 9, 2022 HHFDC Board Meeting requesting approval of the RHRF Approved Project List for the FY2022 Funding Round. The Project is one of the nineteen (19) projects on the RHRF Approved Project List.
- D. A separate For Action is also being presented at the June 9, 2022 HHFDC Board Meeting requesting approval of the following for the Project’s benefit:
1. \$1,830,529 in annual Federal 9% LIHTC over a 10-year period and \$1,830,529 in annual State 9% LIHTC over a 5-year period.
- E. As of May 31, 2022, the estimated Net Available Funds for the RHRF program is \$81,344,470.
- F. On May 5, 2022, the Hawaii State Legislature passed SB No. 3048 SD2 HD1 CD2, which, among other things, appropriates \$300,000,000 for FY2022-2023 into the RHRF. It is currently enrolled to the Governor for signature.

III. DISCUSSION

- A. The Project is an 89-unit new construction development. It is the first phase of a low-income multi-family rental community located in Kahului, Maui. The Project is targeted for families earning 60% of the Area Median Gross Income (AMGI) and below. The first phase will consist of two (2) three-story multi-family residential buildings (Buildings A and B), open space/picnic areas, multi-purpose room, laundry facilities, parking, and bike racks. See (Exhibit B) for Project location, plans & images.
- B. Hale Pilina I LP (Applicant) is limited partnership between Hale Pilina I LLC and GSF LLC. Hale Pilina I LLC is a single member non-profit owned by Catholic Charities Housing Development Corporation, a 501(c)(3) corporation. Michael Magaoay, Board President of Catholic Charities Housing Development Corporation (CCHDC) and Gary Furuta of GSF LLC, in total have developed 21 affordable projects on Oahu, Hawaii island, and Maui. Two projects are currently under construction. CCHDC projects include Meheula Vista phases 1 through 4 and Kahului Lani I and II.
- C. The proposed Financing Structure (Source of Funds) is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 100,000	\$ 100,000
LIHTC Equity	0	21,751,111
Senior Loan	25,874,648	4,623,537
RHRF	17,000,000	16,500,000
County Funds	860000	860000
Deferred Developer Fee	2,150,000	2,150,000
Total	\$ 45,984,648	\$ 45,984,648

- D. The proposed Budget (Use of Funds) is as follows:

Budget Item	Amount	Cost/sf	Total Cost %
Land Acquisition	\$ 730,000	\$ 10.85	1.59%
Construction	33,318,913	495.37	72.46%
Interim & Soft Costs	4,187,345	62.26	9.11%
Financing & Syndication Costs	2,408,390	35.81	5.24%
Developer Fee & Overhead	2,540,000	37.76	5.52%
Project Reserves	550,000	8.18	1.20%
Contingency	2,250,000	33.45	4.89%
Total	\$ 45,984,648	\$ 683.68	100%

- E. The Project’s estimated milestones are as follows:

- | | | |
|----|----------------------------|-----------|
| 1. | Building Permits: | 2022 - Q4 |
| 2. | Loan Closing: | 2023 - Q1 |
| 3. | Construction Start: | 2023 - Q1 |
| 4. | First Building Completion: | 2024 - Q2 |
| 5. | Certificate of Occupancy: | 2024 - Q2 |
| 6. | Last Building Completion: | 2024 - Q3 |

F. Applicant’s Request (Loan Terms)

- 1. Loan Amount: \$17,000,000
- 2. Interest Rate: Years 1-2: 0.00%
After Year 2: 0.25%
- 3. Origination Fee: 0.5% of Loan Amount
- 4. Term/Maturity: 2 Years (Interim/Construction Phase)
65 Years (Permanent Phase)
67 Years (Loan Term)
- 5. Repayment: Years 1-2: No Payments
After Year 2: 90% of Available Cash Flow after
payment of expenses, senior debt
service and other recognized expenses.
- 6. Collateral: Junior Mortgage on the Project Site

G. Recommendation (Loan Terms)

- 1. Loan Amount: \$17,000,000
- 2. Interest Rate: Years 1-2: 0.00%
After Year 2: 0.25%
- 3. Origination Fee: 0.5% of Loan Amount
- 4. Term/Maturity: 2 Years (Interim/Construction Phase)
55 Years (Permanent Phase)
57 Years (Loan Term)
- 5. Repayment: Years 1-2: No Payments
After Year 2: 90% of Available Cash Flow after
payment of expenses, senior debt
service and other recognized expenses.
- 6. Collateral: Junior Mortgage on the Project Site
- 7. Other Terms
 - a) The Project’s Loan-to-Value (LTV) ratio shall not exceed 100% of the RHRF loan and all other debt senior to the RHRF loan.
 - b) No disbursement of Developer Fee until satisfactory completion of the Project.
 - c) The RHRF Project Award is subject to the availability of funds.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following:

- A. RHRF Project Award loan of \$17,000,000 to Hale Pilina I LP, for the benefit of the Hale Pilina Family I project, with the terms and conditions prescribed in Section III.G. of this For Action and in the RHRF Preliminary Commitment Letter (Exhibit C), and further 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.
 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 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, and 104, and §103-50, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer for the Project, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, shall not exceed \$2,540,000.
 6. Availability of RHRF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Attachments: Exhibit A – Financing Summary
Exhibit B – Project Location, Plans & Images
Exhibit C – RHRF Preliminary Commitment Letter (draft)

Prepared by: Jay Nakamura, Finance Specialist

Reviewed by: Christopher Oakes, Finance Specialist II

Reviewed by: David Oi, Finance Manager

Approved by The Board of Directors at its meeting
on JUNE 9, 2022
FINANCE BRANCH

Please take necessary action.

For Action – June 9, 2022


EXECUTIVE DIRECTOR

FINANCING SUMMARY

HHFDC FINANCING:

LIHTC REQUEST:	FEDERAL	\$1,830,529	STATE	\$1,830,529
LIHTC PER UNIT:	(over 10 years)	\$20,568	(over 5 years)	\$20,568

RHRF REQUEST:	Up To:	\$17,000,000
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HMMF REQUEST:	Up To:	N/A
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	Cost	Cost/Unit	Cost/SF*	Avg Cost/SF**
SITE CONSTRUCTION:	\$5,302,730	\$59,581	\$78.84	Avg: \$64.90 Low: \$35.79 High: \$102.06
BUILDING CONSTRUCTION:	\$25,836,411	\$290,297	\$384.13	Avg: \$343.47 Low: \$294.45 High: \$454.43
CONTRACTOR PROFIT & OH:	\$2,179,742	\$24,491	\$32.41	Avg: \$49.24 Low: \$32.41 High: \$70.09
TOTAL CONSTRUCTION:	\$33,318,913	\$374,370	\$495.37	Avg: \$457.61 Low: \$376.68 High: \$575.81
TOTAL PROJECT:	\$45,984,648	\$516,681	\$683.68	Avg: \$733.09 Low: \$537.42 High: \$920.09

*Cost/SF is based on the total gross SF of the project’s residential and manager units.

**Average Cost/SF data is based on the 2022 Funding Round 9% LIHTC applicant group.

FINANCING & COSTS:

- 1. LIHTC, Conventional Financing, RHRF, and Maui County Funds provide the primary financing support for the Project.
- 2. Recommended award of \$1,830,529 in Federal LIHTC over 10-years and \$1,830,529 over 5-years in State LIHTC.
 - a. Applicant projects a blended investment rate of about \$0.80/LIHTC or 79.62% (supported by a term sheet from Hawaii Housing Finance, LLC).
 - b. Anticipated total eligible basis of \$41,271,366 and an applicable percentage of 9.00% supports the recommended LIHTC amounts.
 - c. The projected layering gap of \$21,751,111 supports the recommended LIHTC amount based on the projected investment rate.

2. \$4,623,537 projected permanent senior conventional loan amount (supported by a letter of interest from First Hawaiian Bank)
 - a. Applicant anticipates coverage of no less than 1.15x over a 35-year amortization period at 5.00%.
 - b. Breakeven (1.00x DSR) prompted by: (i) increase in interest rate to 8.52%; (ii) increase in vacancy to 17.44%; or (iii) decrease in average rents from \$1,023 to \$888 per unit.
3. \$17,000,000 RHRF loan to support construction and permanent financing.
 - a. Full repayment of the loan is expected by the end of term based on annual servicing of 90% of available cash flow after senior debt service at a rate of 0.25%.
4. Additional financing sources include \$660,000 from the County of Maui Affordable Housing Fund (AHF) and \$200,000 from the Residential Workforce Housing Agreement (RWFA) credits generated by the project and \$100,000 of Sponsor equity.
5. The Project's development costs are in line with the 2022 Funding Round 9% LIHTC applicant group averages.
 - a. Total development costs of \$516,681/unit and \$683.68/SF are in line with the group applicant averages.
 - b. Total construction costs of \$374,370/unit and \$495.37/SF are in line with the group applicant averages.
 - c. Contractor profit, overhead and general requirements of \$2,179,742 is 7.00% of hard construction costs and below the group applicant average of 12.08% and the 14.00% HUD Ceiling Standard.
 - d. Developer overhead and fee of \$2,540,000 is 5.85% of the net total development costs and below the 15% threshold for new construction projects.
 - e. Contingency of \$2,250,000 is 6.75% of construction costs and 4.97% of net development costs (less acquisition costs). This amount is sufficient to absorb a construction cost increase up to \$528.83/SF.

DEMAND:

1. The market study in the application indicates satisfactory demand for the Project.

FEASIBILITY:

1. Project is feasible and the assumptions are reasonable.

READINESS:

1. A Final EA and FONSI was published in June 2021.
2. The Project received exemptions via Maui County's Chapter 2.97 process.
3. Construction Document level drawings for the Project were provided and have been submitted to the County of Maui for building permits.

EXHIBIT A

Hale Pilina Family I
Tax Map Key: (2) 3-7-013: 026
150 South Puunene Avenue
Kahului, HI 96732

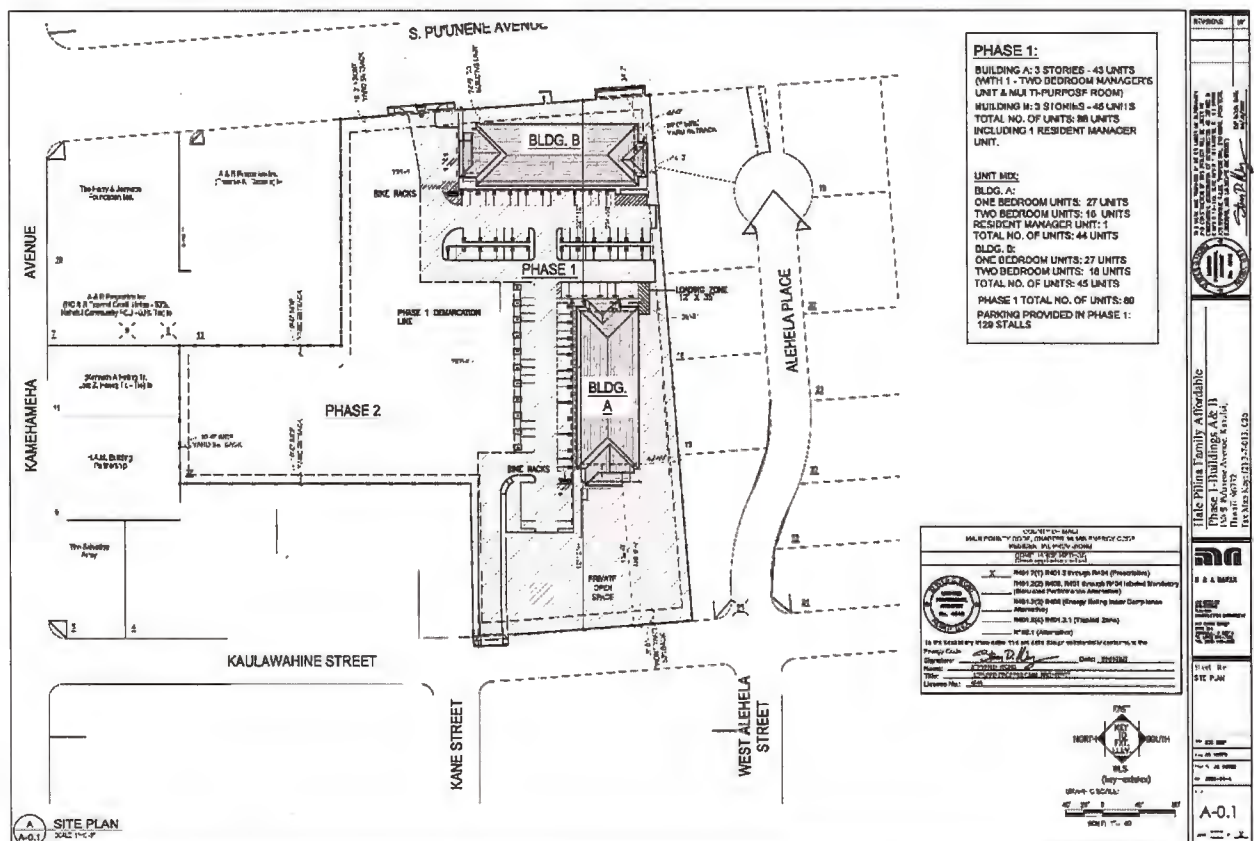


EXHIBIT B



EXHIBIT B

DAVID Y. IGE
GOVERNOR



Denise Iseri-
Matsubara
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

22:FIN/

June XX, 2022

Mr. Gary Furuta
Hale Pilina I LP
1388 Ala Moana Boulevard, #7301
Honolulu, HI 96814

Dear Mr. Furuta:

Subject: Rental Housing Revolving Fund (RHRF) Project Award
Hale Pilina Family I

Your project has been awarded a Rental Housing Revolving Fund loan in an amount not to exceed \$17,000,000 (the "Loan"), subject to the approval of the Governor, the successful negotiation of the final terms and conditions of the award, and the execution of loan documentation satisfactory to the Hawaii Housing Finance and Development Corporation ("HHFDC").

As a preliminary commitment letter, please review the following general terms and conditions:

Award Recipient: Hale Pilina I LP
(Borrower)

Guarantor(s): None

Purpose: To provide interim and permanent financing to assist in the development of an 89-unit affordable rental project located at 150 South Puunene Avenue, Kahului, Maui, Hawaii 96732; Tax Map Key: (2) 3-7-013: 026

The project will feature (54) one-bedroom and (34) two-bedroom apartment units plus (1) manager unit. (9) units shall be set aside for families with incomes at or below 30% of the area median gross income (AMGI), (9) units shall be set aside for families with incomes at or below 50% of the AMGI, and (70) units shall be set aside for families with incomes at or below 60% of the AMGI. The project will remain affordable for 61-years.

EXHIBIT C

<i>Loan Amount:</i>	Up to 17,000,000 for interim and permanent financing. This amount may be reduced to the extent that the Award Recipient is able to secure additional funding sources for the development.
<i>Form of Loan:</i>	57-year, junior mortgage loan on the leasehold interest in the project premises, improvements, and chattels.
<i>Interest Rate:</i>	0.00% Years 1 through 2 0.25% After Year 2 Interest will be calculated on a 365-day year.
<i>Origination Fee:</i>	0.5% of loan amount
<i>Loan Term:</i>	57-Years
<i>Prepayment penalty:</i>	None
<i>Payment Terms:</i>	Years 1 through 2 - No Payments After Year 2 - 90% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses. Any accrued interest and outstanding principal shall be due and payable at end of Loan Term.
<i>Security:</i>	The Loan is to be secured by the following: <ol style="list-style-type: none"> 1) A valid, ALTA-insured junior mortgage on the Award Recipient's leasehold interest in the subject property, together with all improvements to be constructed; 2) A security interest in all furniture, fixtures and equipment owned by the Award Recipient and utilized in the normal occupancy and operation of the subject property; 3) An assignment of all project-related documents including, but not limited to, development agreements, plans and specifications, construction, architectural, management contracts, and any other studies, approvals and authorizations, and permits; 4) Award Recipient acknowledges that all of Award Recipient's obligations, agreements, and completion of the improvements are the direct obligations of Award Recipient's general partner.
<i>Governor Approval:</i>	The preliminary commitment by the HHFDC and the disbursement of funds are subject to approval by the Governor of the State of Hawaii.
<i>Termination of Affordability:</i>	Should the project fail to maintain its affordable use during the 61-year affordability period following the funding of the interim/permanent Loan, the full amount of the Loan shall become

EXHIBIT C

immediately due and payable. In addition to the principal amount due, as a penalty for the early termination of the mortgage, due to a loss of its "affordable character," the principal amount due the HHFDC will be multiplied by 0.06, then multiplied by the number of remaining years of affordability. This amount will constitute the total amount of the penalty payment due.

Documentation:

The HHFDC's participation in the proposed development shall be subject to the completion and execution of documentation mutually acceptable to all parties to the transaction. Such documentation to include standard terms and conditions for transactions of this nature.

Boilerplate Loan documents listed on Exhibit 1 will be provided for your review and finalizing by your counsel. Any changes to these Loan documents must be satisfactory to the HHFDC and the Attorney General and shall be at their sole discretion.

Expenses:

All out of pocket expenses shall be the responsibility of the Award Recipient. It is understood and agreed that the Award Recipient shall be responsible for expenses pertaining to any and all transactions contemplated herein and the preparation of any document reasonably required thereunder including, but not limited to, all recording and filing fees, taxes, insurance premiums (including title insurance), inspection fees, insurance review and any surveyors', appraisers' and attorneys' fees. In the event the Loan transaction is not consummated for whatever reason, the Award Recipient will remain responsible for payment of those fees and expenses.

Title Insurance:

Upon recordation of the Loan documents, Award Recipient shall provide the HHFDC with an ALTA mortgagee's policy of title insurance, in the full amount of the Loan, issued by a title insurer acceptable to HHFDC, insuring the lien of the mortgage to be a valid junior lien on the leasehold interest in the subject property, subject only to such other liens and encumbrances as may have been approved by the HHFDC, to include survey, mechanics lien and foundation endorsements and other endorsements as HHFDC may reasonably require.

Property and Liability Insurance:

Prior to the closing date of the Loan, the Award Recipient must properly insure the subject property and provide the HHFDC with such original policies of insurance including: a broad form insurance policy covering the security, in an amount sufficient to cover 100% of the full replacement value at the time of loss of the security, including all buildings now existing or thereafter constructed; public liability, property damage, rental loss, and other insurance as may be required by the HHFDC; and including flood insurance, if applicable, in such form and in such amount as may be required by the Federal Flood Disaster Protection Act. All such policies shall name the State of Hawaii and the Hawaii Housing Finance and Development Corporation as insured parties and loss payees and shall be satisfactory to the HHFDC as to amount, effective and expiration dates, form, content, mortgagee's loss payable endorsement, and all

EXHIBIT C

other terms, and/or endorsements, specifically including a 30-day written notice of any cancellation of or material change in coverage.

You may procure such insurance from any insurance company authorized to do business in the State of Hawaii. All insurance policies should be delivered to the HHFDC and addressed as follows:

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

If the Award Recipient uses an “insurance binder” as temporary evidence of insurance coverage, the Award Recipient must provide HHFDC with the original insurance policy prior to the expiration of the binder, but in no event more than 30 days.

Opinion of Counsel:

A written opinion of your legal counsel acceptable to the HHFDC shall be provided to the HHFDC prior to closing and state that:

- 1) The Award Recipient has the power and has been duly authorized to enter into and execute the Loan documents;
- 2) The Loan documents are duly authorized and when executed and delivered, will be valid and legally binding obligations of the Award Recipient;
- 3) Compliance by the Award Recipient with the Loan documents and any other instruments contemplated hereby will not violate any instruments or agreements binding upon the Award Recipient;
- 4) No action of any governmental commission or agency is required in connection with the execution and delivery of the Loan documents or, if required, that the same has been obtained;
- 5) Such other matters as the HHFDC may reasonably request.

Borrowing and Signing Resolution:

The Award Recipient agrees to provide the HHFDC with a borrowing and signing resolution, which shall authorize and ratify the acceptance of this Loan and identify the individual(s) authorized to execute all documents, agreements and instruments evidencing and/or securing the Loan and perform all obligations thereunder. If the Award Recipient is a partnership, the resolution shall be signed by all of the partnership’s general partners and identify the partner(s) authorized to execute all documents. If a corporation, then the resolution shall be authorized by the board of directors and specify the officer(s) authorized to execute all documents.

Organizational Documents:

The Award Recipient shall provide the HHFDC with organizational documents including, but not limited to, validly filed articles of incorporation or certificate of limited partnership, by laws, partnership agreement and amendments thereto setting forth such terms as the sales price, equity contribution, distributions and all other significant terms and conditions, for the Award Recipient and its constituent entities.

EXHIBIT C

A certificate of good standing for the Award Recipient and its constituent entities dated no earlier than 30 days prior to closing shall be provided to the HHFDC.

A current tax clearance certificate for state and federal taxes for the Award Recipient and its constituent entities shall be provided just prior to the HHFDC's execution of Loan documents.

Financial Statements: During the term of the Loan, the Award Recipient agrees to provide the HHFDC with such financial and supporting data as the HHFDC may require, in form and content satisfactory to the HHFDC including: Audited financial statements of the Award Recipient on an annual basis within 90 days of year-end, and partnership tax returns annually when filed.

Independent Consultant: The HHFDC shall have the right to employ, at the Award Recipient's expense, an independent consultant such as an engineer, architect or construction manager, to review and monitor on behalf of the HHFDC. The consultant shall review all construction documents, including construction plans and specifications, construction contracts, contractor's progress schedules and other pertinent documents and submit a written report to the HHFDC as to whether the plans and specifications provide for complete usable facilities which can be constructed within the amount of the construction contract and the project budget and as to the adequacy of the construction schedule. The consultant shall also visit the subject property periodically to review whether the construction is proceeding in accordance with the plans and specifications and construction schedule, to estimate the nature and amount of construction in place and to verify the amount of payment which the contractor is entitled to receive in accordance with the project budget and to verify that materials are stored onsite.

Inspections: The Award Recipient shall permit the HHFDC or its agents to inspect the property and its records. Such inspections will be made for the HHFDC's sole benefit at such reasonable times as the HHFDC may require and will be at the Award Recipient's expense.

Appraisal: Prior to the closing of the Loan, the HHFDC must receive an HHFDC-ordered appraisal report (at the Award Recipient's expense) of the leasehold interest in the subject property. The appraisal shall be subject to the satisfactory review of the HHFDC.

Reappraisal: The HHFDC shall have the right to obtain, at the Award Recipient's expense, reappraisals of the subject property from any certified appraiser designated by the HHFDC, from time to time whenever such reappraisal may be:

- 1) Required by law, rule or procedure; or
- 2) When reasonably deemed appropriate by the HHFDC.

EXHIBIT C

ALTA Survey

Prior to closing of the Loan, the Award Recipient shall provide an ALTA survey of the subject property prepared by a professional land surveyor registered with the State of Hawaii, showing thereon the perimeter of the subject property, all easements affecting the property, the location of the improvements to be built on the property, any other matters of record affecting the property, and such other matters as may be required by the title insurance company together with a written certification by the surveyor that all setback requirements have been complied with and that there are no encroachments by or on the subject property.

*Financing
Commitments:*

The Award Recipient shall provide to the HHFDC binding interim construction financing commitments in an aggregate amount sufficient to meet the Project's total development costs, which shall include, but not limited to:

- 1) Sponsor Equity for no less than \$100,000;
- 2) Senior Financing for no less than \$25,874,648;
- 3) Maui County AHF grant for no less than \$660,000;
- 4) Maui County RWFH credits for no less than \$200,000; and
- 5) Deferred Developer Fee for no less than \$2,150,000

Binding permanent financing commitments for:

- 1) Sponsor Equity for no less than \$100,000;
- 2) LIHTC Equity for no less than \$21,751,111; and
- 6) Senior Financing for no less than \$4,623,537;
- 7) Maui County AHF grant for no less than \$660,000;
- 8) Maui County RWFH credits for no less than \$200,000; and
- 9) Deferred Developer Fee for no less than \$2,150,000

Closing and funding of the RHRF Project Award is contingent upon the Award Recipient securing and evidencing sufficient financing sources to meet the Projects total development costs to the satisfaction of HHFDC.

Such commitments shall be in form and content satisfactory to the HHFDC and shall set forth such terms as the amount of the commitment, the interest rate, term, and other terms and conditions of the loans. The commitments may need to be assigned to the HHFDC as determined by HHFDC and, as such, may need to include satisfactory assignment language. The terms and conditions of this preliminary commitment letter are subject to change, modification, or additions depending on the terms and conditions of the other commitment letters.

*Environmental
Examination and
Covenants:*

Prior to the closing of the Loan, the Award Recipient shall furnish the HHFDC with the completed Environmental Questionnaire. If such written statement appears insufficient for the HHFDC's reliance or leads the HHFDC to believe that environmental contamination may have resulted or may result from a prior or current use of the property, the Award Recipient may have to obtain an environmental examination or audit, at its expense, to be made of the property, by an environmental engineer acceptable to the HHFDC. The HHFDC

EXHIBIT C

may decline the Loan if such examination reveals the existence or prospect of environmentally hazardous materials in amounts or of a nature unacceptable to the HHFDC. The Loan documents will provide for your indemnification of the HHFDC against all liabilities, costs, etc., incurred by the HHFDC as a result of any violation of any environmental laws as a result of any "clean up" of environmentally hazardous materials or conditions in respect of the property to be mortgaged to the HHFDC.

Loan Agreement:

The disbursement of Loan proceeds will be governed by a Loan Agreement containing warranties by the Award Recipient, conditions of the HHFDC's obligations, covenants relating to construction procedures and Loan disbursements, requirements for payment of project costs, requirements for performance and payment bonds, prohibition against junior liens and security interests, rights of inspection, rights to employ an independent architect or engineer at the HHFDC's request, requirement for completion surveys, remedies on default and such other covenants and provisions as the HHFDC may require, or as are customarily incorporated in similar agreements by prudent lenders:

- 1) Each disbursement request shall be accompanied by an updated budget and partial lien releases or lien waivers and receipt bills showing to the HHFDC's satisfaction that all remaining budgeted costs are covered either by the remaining undisbursed Loan proceeds or other funding sources already committed;
- 2) Updated endorsements from insuring title company;
- 3) Written report of engineer as to the progress of the work, and the cost to complete, said report to be satisfactory to the HHFDC;
- 4) In general, disbursements on the construction will be made on the basis of the value of the work in place and the costs of materials delivered to the site and adequately stored and insured, less 5% retainage.

*Compliance with
Applicable Laws:*

The Award Recipient shall submit to the HHFDC, evidence satisfactory to the HHFDC, that all applicable laws, regulations, including the Americans with Disabilities Act and any other applicable environmental laws and regulations, covenants, conditions, governmental approvals and permits for the use and operation of the property and improvements thereon have been obtained.

Complete Agreement:

This preliminary commitment letter constitutes the agreements between the Award Recipient and the HHFDC relating to the Loan and the subject property, and supersedes all other prior or current letters, agreements, understandings, negotiations or warranties (whether written or oral). No variation or amendment to this preliminary commitment letter shall be valid or enforceable without the approval of the Award Recipient and the HHFDC set forth in writing specifically referring to this preliminary commitment letter.

EXHIBIT C

*Regulatory
Requirements:*

This preliminary commitment letter and the HHFDC's obligations thereunder are subject to all laws and governmental regulations affecting the HHFDC's ability to make the Loan upon the terms and conditions set forth in this letter. If the HHFDC is unable under said laws and regulations to make the Loan upon such terms and conditions, then the HHFDC may terminate this preliminary commitment letter and its obligations thereunder without any liability to the Award Recipient.

Specific Conditions:

The following documents, among others, are to be provided to the HHFDC prior to closing and funding of the Loan:

- 1) All partnership or venture documents;
- 2) A satisfactory Phase One environmental report;
- 3) Copies of all plans and specifications for the improvements and proposed work, together with a copy of the general construction contract(s) covering all of the improvements and proposed work, and copies of each major subcontract or material supply contract relating to the improvements and proposed work ("major" shall include all those having contract prices in excess of \$250,000) and a copy of all architect's and engineer's contracts relating to the improvements and proposed work;
- 4) A 100% performance bond and a 100% payment bond covering the obligations of the general contractor(s), issued by a surety doing business in Hawaii, which bonds shall contain riders in form and content satisfactory to the HHFDC naming the Award Recipient and the HHFDC as obliges. Expiration of performance bond will not be less than one year following substantial completion;
- 5) Satisfactory evidence that all consents, permits and approvals from the governmental authorities required or advisable in connection with the construction of the improvements and proposed work have been obtained by the Award Recipient;
- 6) A detailed budget of the overall cost of construction of improvements and proposed work, including construction costs, building equipment costs, other on-site and off-site improvement costs, costs of furnishing and fixtures, financing costs, legal expenses, design fees, appraisal costs, and all other related costs directly attributable to the improvements or proposed work;
- 7) A detailed cash-flow schedule of Borrower's sources-and-uses of funds, evidencing to the HHFDC satisfaction that all of the improvements and proposed work can be completed in a timely manner with proceeds from the Loan and other funding sources, and that there are sufficient proceeds to adequately make all payments when due on the Loan and all other construction costs, carrying charges and all other costs shown on the budget referred to above setting forth a schedule of disbursement of proceeds and payment of the costs shown on said budget;

EXHIBIT C

- 8) Letters from the Award Recipient's architect, engineer and general contractor, in form and content satisfactory to the HHFDC, containing among other things, the architect's, engineer's and contractor's consents to the assignment of their contracts to the HHFDC as security for the Loan, their agreement to continue performance under their contracts if requested by the HHFDC, and the subordination of all of their lien rights to the Loan and the HHFDC's Loan documents;
- 9) The HHFDC reserves the right to obtain a construction cost analysis report (verifying cost to complete) prepared by an independent third party consultant acceptable to the HHFDC and paid by the Award Recipient;
- 10) Such other items as may be described in the Loan Agreement referred to above.

Other Terms:

In addition, the Award Recipient shall provide and/or comply with the following prior to closing and disbursement of funds:

- 1) The receipt and approval by the HHFDC of the project's final construction drawings and specifications showing all revisions;
- 2) Receipt and staff's satisfactory review and approval of the Uniform Standards of Professional Appraisal Practice (USPAP) appraisal (ordered by HHFDC, paid by Award Recipient);
- 3) Final plans and specifications being reviewed by the State's Disabilities and Communication Access Board (DCAB) and the HHFDC's receipt of the DCAB's "Final Document Review Letter" indicating that the documents appear to meet the requirements of the American with Disabilities Act Accessibility Guidelines (ADAAG) and the Fair Housing Act;
- 4) The project shall comply with the requirements of all municipal, state and federal authorities and observe all municipal, state and federal laws including, but not limited to, Chapter 343, Hawaii Revised Statutes (HRS) relating to environmental impact statements; Chapter 103-50, HRS, relating to accessibility requirements; Chapter 103D, HRS, relating to Hawaii Public Procurement Code; Chapter 104, HRS, relating to wage and hour requirements applicable to the project and the use of State funds;
- 5) Satisfactory review and approval of all aspects of the project by the HHFDC and, if necessary, independent experts;
- 6) Award Recipient must obtain all necessary loans, grants, and leases from the applicable entities in order to fulfill the purpose of this Loan;
- 7) Receipt by the HHFDC of evidence satisfactory to the HHFDC that the sources of permanent financing are sufficient;
- 8) Delivery and execution by the Award Recipient, and HHFDC approval, of the items enumerated on the checklist prior to closing and funding of the Loan (Exhibit 1);
- 9) The Award Recipient consulting with the HHFDC and receiving prior written approval of the Executive Director to effectuate any changes to the project as proposed;

EXHIBIT C

- 10) Detailed accounting of all projected expenditures to the closing date, supported by copies of receipts or invoices to indicate a minimum equity contribution of \$100,000;
- 11) Applicant must evidence debt service coverage satisfactory to HHFDC based on the financing sources needed to meet the Project's total development costs;
- 12) The Project's total loan to value ratio shall not exceed 100%;
- 13) 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 \$2,540,000.
- 14) No disbursement of Developer's Fee until satisfactory completion of the Project;
- 15) The RHRF Project Award is subject to the availability of funds;
- 16) Other terms and conditions to be mutually acceptable to all parties involved with the transaction.

Loan Closing: The loan is to be closed and recorded no later than March 31, 2023. In the event that the loan is not closed and recorded by said date, the HHFDC shall have the right to terminate this commitment and all of its obligations under, or the option to consider extending the closing date subject to such amended terms and conditions as it shall deem appropriate in its sole judgment.

Commitment Fee: None

Expiration: The terms outlined in this letter will expire on July 30, 2022, at 4:00 p.m. unless the HHFDC receives an executed copy by said date. The HHFDC and the Award Recipient agree to work in good-faith to complete all the necessary documentation satisfactory to all parties.

The Award Recipient shall defend, indemnify, and hold harmless the State of Hawaii, the HHFDC, its directors, advisory commissioners, officers, employees, agents, its successors and assigns, from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, and expenses including attorney's fees, arising out of or in connection with the development of the project including, but not limited to, construction of the improvements, leasing of the project and/or use, occupation or operation of any of the property to be encumbered by the mortgage.

As previously mentioned, the above-referenced items represent the general terms of the Loan. The specific terms and conditions will be negotiated and incorporated into the final documents for execution.

Please sign and return the original preliminary commitment letter and maintain a copy for your files.

Sincerely,

Denise Iseri-Matsubara
Executive Director

EXHIBIT C

ACKNOWLEDGED AND ACCEPTED:

By: _____

Its: _____

Date: _____

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC)
RENTAL HOUSING TRUST FUND PROJECT AWARD PROGRAM

I. BASIC MILESTONES

These milestones must be achieved by the expiration date stated in the preliminary commitment letter. If the Award Recipient is not able to meet these milestones, then the preliminary commitment letter may be withdrawn without any further consideration or action by the HHFDC.

1. Evidence of site control and development rights to the property.
2. Evidence of all necessary zoning, or exemptions or variances thereto, to complete the project as proposed.
3. Evidence of all sources of financing to complete the project. Applicants shall provide commitment letters or letters of intent from all sources of financing.

II. PRELIMINARY DEVELOPER CHECKLIST

Developer shall provide the following to the HHFDC for approval in order to close the loan and receive funding:

1. Evidence of site control and development rights to the property (recorded conveyance documents)	<input type="checkbox"/> Received	
2. Lessor's Consent to Mortgage	<input type="checkbox"/> Received	
3. Lessor's Estoppel Certificate	<input type="checkbox"/> Received	
4. Evidence of all necessary zoning, or exemptions or variances thereto, to complete the project as proposed (201H approval, permits)	<input type="checkbox"/> Received	
5. Evidence of all sources of construction and permanent financing to develop the project (commitment letters from all sources of financing)	<input type="checkbox"/> Received	
6. Articles of Incorporation (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
7. By Laws (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
8. Certificate of Limited Partnership	<input type="checkbox"/> Received	
9. Partnership agreement and Amendments	<input type="checkbox"/> Received	
10. Borrowing and Signing Resolution (original) (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
11. Certificate of Good Standing (original) – dated no longer than 30 days prior to closing (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
12. State and Federal Tax Clearance Certificate for Award Recipient – provide just prior to HHFDC's execution of loan documents (original/certified) (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
13. Certificate of Compliance with Section 3-111-112, HAR from the State of Hawaii – Department of Labor and Industrial Relations (original/certified) – dated no longer than 30 days prior to closing (Award Recipient and constituent entities)	<input type="checkbox"/> Received	
14. State and Federal Tax Clearance Certificate for General Contractor	<input type="checkbox"/> Received	
15. Attorney's Opinion Letter (original)	<input type="checkbox"/> Received	
16. Finding of No Significant Impact	<input type="checkbox"/> Received	
17. Environmental Questionnaire	<input type="checkbox"/> Received	
18. Phase I Environmental Site Assessment	<input type="checkbox"/> Received	
19. Project Budget – 2 copies	<input type="checkbox"/> Received	
20. Project Sources and Uses – 2 copies	<input type="checkbox"/> Received	
21. Construction Cash Flow Forecast – 2 copies	<input type="checkbox"/> Received	
22. Project Schedule – 2 copies	<input type="checkbox"/> Received	

23. Operating Budget	<input type="checkbox"/> Received	
24. ALTA Survey	<input type="checkbox"/> Received	
25. Soils Test Report	<input type="checkbox"/> Received	
26. USPAP Appraisal	<input type="checkbox"/> Received	
27. Market Study	<input type="checkbox"/> Received	
28. Detailed Plans and Specifications	<input type="checkbox"/> Received	
29. Approval from the Disability and Communication Access Board (DCAB)	<input type="checkbox"/> Received	
30. Construction Contract and Amendments – 2 copies	<input type="checkbox"/> Received	
31. Construction Contract Documents– Plans and Specifications	<input type="checkbox"/> Received	
32. Architect Contract – 2 copies	<input type="checkbox"/> Received	
33. Engineer Contract – 2 copies	<input type="checkbox"/> Received	
34. Major Subcontracts or Material Supply Contracts (in excess of \$250,000)	<input type="checkbox"/> Received	
35. List of Subcontractors and Materialmen	<input type="checkbox"/> Received	
36. Subdivision Approval	<input type="checkbox"/> Received	
37. Evidence of Access to Public Roads	<input type="checkbox"/> Received	
38. Easements for Utilities and Authorities	<input type="checkbox"/> Received	
39. Evidence of Water Availability	<input type="checkbox"/> Received	
40. Grading Permit – 2 copies	<input type="checkbox"/> Received	
41. Building Permit – 2 copies	<input type="checkbox"/> Received	
42. Copies of Loan Agreements with other financing sources	<input type="checkbox"/> Received	
43. Property (all-risk) Insurance Policy including rental loss coverage (naming, as loss payees, the (i) State of Hawaii and (ii) Hawaii Housing Finance and Development Corporation)	<input type="checkbox"/> Received	
44. Liability Insurance Policy (naming as additional insured, the (i) State of Hawaii and (ii) Hawaii Housing Finance and Development Corporation)	<input type="checkbox"/> Received	
45. Set Aside Letter	<input type="checkbox"/> Received	
46. 100% Performance and 100% Payment Bond (surety company acceptable to HHFDC)	<input type="checkbox"/> Received	
47. Preliminary Title Report	<input type="checkbox"/> Received	
48. ALTA Mortgagee's Policy of Title Insurance (to include survey and foundation endorsements; and if construction has commenced, endorsement against mechanics' and materialmen's liens)	<input type="checkbox"/> Received	

Loan Documents:

1. Certification as to any self-dealings, related parties or identity of interests	<input type="checkbox"/> Received	
2. Promissory Note (executed)	<input type="checkbox"/> Received	
3. Mortgage, Security Agreement and Financing Statement (executed and recorded)	<input type="checkbox"/> Received	
4. Building Loan Agreement (executed)	<input type="checkbox"/> Received	
5. Assignment of Leases and Rents (executed and recorded)	<input type="checkbox"/> Received	
6. Declaration of Restrictive Covenants (executed)	<input type="checkbox"/> Received	
7. Hazardous Materials Agreement (executed)	<input type="checkbox"/> Received	
8. Monitoring Agreement (executed)	<input type="checkbox"/> Received	
9. Assignment of Construction Contract (executed)	<input type="checkbox"/> Received	
10. Assignment of Architect Contract (executed)	<input type="checkbox"/> Received	
11. Assignment of Engineer Contract (executed)	<input type="checkbox"/> Received	
12. Contractor's Letter (executed)	<input type="checkbox"/> Received	
13. Architect's Letter (executed)	<input type="checkbox"/> Received	
14. Engineer's Letter (executed)	<input type="checkbox"/> Received	

REQUIREMENTS UPON CONSTRUCTION COMPLETION

Developer shall provide the following:

Final Project Cost Certification Audit	<input type="checkbox"/> Received	
State and Federal Tax Clearance Certificate	<input type="checkbox"/> Received	
Certificate of Substantial Completion	<input type="checkbox"/> Received	
Certificate of Occupancy	<input type="checkbox"/> Received	