

FOR ACTION

I. REQUEST

Approve: (1) the Execution of a Memorandum of Agreement with the County of Maui (the County) Relating to the Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel Located at 175 E. Lipoa Street, Kihei, Maui, TMK No.: (2) 3-9-002: 084 (the Property); (2) Amended Terms and Conditions of the Previously Approved Acquisition of the Property; and (3) the Execution of a Ground Lease of the Property with the County

II. FACTS

Property: Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel
Address: 175 E. Lipoa Street, Kihei, HI 96753
Tax Map Key No.: (2) 3-9-002: 084
Land Area: 6.272 acres
State Land Use District: Urban
Zoning: B-2 Community Business District
Owner: Haggai International Institute for Advanced Leadership Training, Inc.
Land Tenure: Fee simple

- A. Haggai International Institute for Advanced Leadership Training, Inc. (Haggai) owns in fee simple the Haggai International Mid-Pacific Center located at 175 E. Lipoa Street in Kihei, Maui (the Property). Constructed in 1989 as a 216-key hotel, Haggai purchased the Property in the mid-1990s and subsequently converted it into a Christian missionary training and religious facilities center.
- B. Haggai entered into a Purchase and Sale Agreement for the Property (the PSA) with Pacific Rim Land, Inc. (Pacific Rim) in April 2022. Pacific Rim then began due diligence activities with the vision of converting the Property into residential corporate housing and to accommodate workforce residents such as construction workers and traveling nurses.
- C. On June 26, 2023, Haggai and Pacific Rim executed a Sixth Amendment to the PSA (the Sixth Amendment) which, among other things, gave Pacific Rim the right to assign its rights and entitlements under the PSA to a government buyer such as the Hawaii Housing Finance and Development Corporation (HHFDC).
- D. On June 30, 2023, the Governor enacted Act 164, Session Laws of Hawaii 2023 (Act 164), which appropriated \$45 million in general obligation bond funds to HHFDC under Capital Improvement Projects Item 17 for “plans, land acquisition, design and construction for repurposing existing facility for public prekindergarten classrooms, dedicated teacher housing and affordable workforce housing; ground and site improvements; equipment and appurtenances.”
- E. HHFDC intended to assume Pacific Rim’s interest in the PSA and use the Act 164 funds to acquire Haggai’s fee-simple interest in the Property. Simultaneous with the acquisition, HHFDC planned to enter into a long-term ground lease of the

Property to the County of Maui (the County), which would subsequently convert it into a dedicated teacher housing and affordable workforce housing project with public prekindergarten classrooms. To that end, HHFDC and the County commenced due diligence on the Property acquisition in June 2023.

- F. Months later, on August 8, 2023, wildfires swept through the Maui towns of Lahaina and Kula (the Disaster).
 - 1. The Disaster placed significant demands on the County in its response, making it unable to take possession of the Property in the near term.
 - 2. Additionally, the Disaster exacerbated the shortage of housing on Maui by destroying or rendering uninhabitable over 3,700 homes. The Property, which was largely dormant at the time of the Disaster due to its planned sale, has since been used to lodge various first responders to the Disaster.
- G. Subsequent to the Disaster, staff determined that HHFDC should continue its efforts to acquire the Property. Without the County's involvement, the tentative plan was to operate the Property during an interim period as temporary housing for wildfire survivors.
 - 1. Paramount Hotels LLC (Paramount), an owner and manager of boutique hotels (including the Maui Coast Hotel located near the Property), would manage the Property for HHFDC.
 - 2. Immediately after the Property acquisition, HHFDC would issue a Request for Proposals from qualified developers of affordable housing to acquire a long-term leasehold interest in the Property and convert it into a dedicated teacher housing and affordable workforce housing project with public prekindergarten classrooms. Under the draft timeline, the leasehold sale was projected to close in May 2025.
- H. At its meeting on November 9, 2023, the HHFDC Board of Directors (the Board) approved staff's request to acquire the Property based on the post-closing plan of interim ownership/operation and leasehold disposition, with the purchase price of \$34.5 million lower than the \$37.7 million price contracted under the PSA (assuming a December 2023 closing date). See **Exhibit A**.

The recommendation of a reduced purchase price was in part attributable to due diligence findings that near-term repairs were required to address several life-safety issues at the Property, including elevator repairs estimated to cost \$1.5 million. The Board's approval of the acquisition was subject to the following conditions:

- 1. Staff's determination that the Property is not projected to operate at a net loss during HHFDC's interim ownership period; and
 - 2. Staff's completion of due diligence to the satisfaction of the Executive Director.
- I. Although the reduced purchase price of \$34.5 million was not accepted by Haggai, there was no indication that the Property owner had turned its attention to a backup bidder for the sale.

III. DISCUSSION

A. Concerns Regarding the Financial Feasibility of Project

As due diligence on the Property acquisition progressed towards completion and staff prepared a financial analysis of the project, there was increasing concern that developers responding to the planned RFP may determine that conversion of the improvements into the permanent housing and educational uses required under Act 164 may not be financially feasible through private financing alone, and that governmental subsidies for the project (in addition to the subsidy that the leasehold sale would provide) may be required. This is primarily due to:

1. The anticipated high construction costs, which may include having to bring the improvements up to the current building code; and
2. The building's extensive number of special-purpose spaces (which account for approximately one-half of the total floor area) that were designed for hospitality and training uses and which are expected to generate little net operating income for the project.

B. Memorandum of Agreement with the County

To avoid the risk that a developer would require gap financing from HHFDC to complete the renovations into permanent housing, and because the County had been planning to fund renovation costs over time under the pre-Disaster project plan, staff began working with the County on a new way to cooperate on the project to be documented in the form of a Memorandum of Agreement (MOA). The key terms of the proposed MOA with the County are summarized below.

1. Property Acquisition

HHFDC shall acquire the fee-simple interest in the Property, subject to the satisfaction of certain conditions precedent (including agreement with Haggai on sale terms, agreement with Pacific Rim on the PSA assignment terms, and the execution of the Ground Lease referenced below).

2. Interim Ownership Period

From the date of the closing of HHFDC's purchase of the Property (the Acquisition Date) until the Commencement Date (as defined below), HHFDC shall primarily operate the Property to provide temporary housing and workspaces to persons and organizations which are involved in the response to and recovery from the Disaster.

- a. HHFDC shall contract with a private firm to manage the Property on its behalf.¹
- b. User rates shall be set to cover budgeted operating expenses plus reasonable reserves.
- c. HHFDC may, but shall have no obligation to, correct certain deferred maintenance items posing life-safety risks at the Property

¹ At the time of this writing, staff is finalizing a management contract with Paramount, as was contemplated at the November HHFDC Board meeting.

at an estimated cost of \$3.4 million² using funds appropriated by Act 164.

3. Ground Lease

On or before the Acquisition Date, HHFDC and the County shall enter into a ground lease of the Property, the key terms of which are summarized below.

Lessor	Hawaii Housing Finance and Development Corporation
Lessee	County of Maui
Commencement Date	To be determined by the written agreement of the parties or, failing that, May 30, 2025
Term	75 years
Annual Rent	\$1.00 payable in advance as a lump sum upon the execution of the Ground Lease
Character of Use	Solely for the purposes of constructing, rehabilitating, operating, and maintaining a dedicated teacher housing and affordable workforce housing project with public prekindergarten classrooms and ancillary nonresidential uses.
Regulatory Agreement and Declaration of Restrictive Covenants	To be entered into and effective as of the effective date of the Ground Lease and which will memorialize the use restrictions and be recorded against the Property.
Capital Improvement Plan	To be incorporated into the Ground Lease as an exhibit after a developer is selected through the County RFP process described below.
Affordability Requirements	<p>a. No fewer than one-third (1/3) of the revenue-producing units shall be set aside for households with incomes at or below 80% of the area median income amounts published by the U.S. Department of Housing and Urban Development (the HUD AMI).</p> <p>b. No fewer than one-third (1/3) of the revenue-producing units shall be set aside for households with incomes at or below 100% of the HUD AMI.</p>

² This amount is lower than the \$6.57 million in budgeted near-term improvements contemplated in the November 9, 2023 For Action, as it omits several value-added improvements that were deemed unnecessary to complete during the Interim Ownership Period.

	<ul style="list-style-type: none"> c. The remainder of the revenue-producing units shall be set aside for households with incomes at or below 120% of the HUD AMI. d. Lessee may set aside one (1) unit as a non-revenue-producing manager's unit.
Teacher Housing Requirements	<ul style="list-style-type: none"> a. Lessee shall set aside 25% of the revenue-producing units (the Teacher Set-aside Units) for households in which at least one (1) of the co-tenants is a prekindergarten, primary-school, or secondary-school teacher who is employed full-time at a public school or a private school accredited by a recognized accrediting body located in the State of Hawaii (Teacher Households). b. In the event of low demand from Teacher Households, Lessee shall be permitted to rent Teacher Set-aside Units to income-qualified, non-Teacher Households until such time as there is sufficient demand. c. Lessee shall establish a policy, subject to approval by Lessor, that limits the remaining term of occupancy of former Teacher Households that no longer qualify as a Teacher Household.

4. County Request for Proposals

No later than three (3) months after the Acquisition Date, the County shall publish a Request for Proposals (the County RFP) from qualified developers of affordable housing to acquire a long-term subleasehold interest in the Property and convert it into a dedicated teacher housing and affordable workforce housing project with public prekindergarten classrooms.

- a. HHFDC shall provide technical assistance to the County in the drafting of the County RFP and the structuring of the RFP process.
- b. HHFDC shall have at least one (1) representative on the evaluation committee that will be responsible to score proposals received in response to the County RFP and to recommend the offeror to be awarded a long-term sublease of the Property (the Successful Offeror).
- c. Through the County RFP, the County shall commit funds to the project in the form of a grant, a cash-flow contingent junior loan, or a combination thereof to be made available to the Successful Offeror. The total amount of funds to be made available by the County shall be sufficient to complete the conversion of the

Property into permanent housing when combined with all other public and private sources of funds.

- d. Through the County RFP, HHFDC shall commit the full amount of its unexpended Act 164 appropriation, if any, to the project in the form of a grant to be made available to the Successful Offeror.

C. Purchase Price

1. In October 2023, HHFDC learned that Haggai had submitted to the County an invoice in the amount of approximately \$3.6 million for providing lodging to various first responders to the Disaster from August 9, 2023 through September 30, 2023.
 - a. The invoice was eventually forwarded to the Hawaii Emergency Management Agency (HIEMA). We understand that an invoice for October followed. To date—and to the frustration of Haggai’s leadership—no payments have been made to Haggai for Disaster-response lodging.
 - b. HIEMA recently informed staff that the documentation required to support payment to Haggai for the lodging is nearly complete. However, we are still awaiting information on the estimated total amount of the payments (the Lodging Payments).
2. Subject to the approval of the Haggai Board of Directors³, Haggai will agree to:
 - a. Reduce the purchase price of \$38 million⁴ by the amount of Lodging Payments paid to Haggai as of the closing date; and
 - b. Assign Lodging Payments not paid as of the closing date to HHFDC.

In other words, HHFDC’s expected net purchase price paid for the Property would be lower than \$38 million.

3. Staff recommends that HHFDC accept Haggai’s purchase price proposal, as justified below.
 - a. Under the proposed agreements with the County, the risks relating to the Property renovation will be transferred from HHFDC, as the County will make a forward commitment to take possession no later than May 30, 2025.
 - b. The net purchase price to HHFDC may not be substantially higher than the price that HHFDC was willing to pay in November.
 - c. In addition to contributing to the replacement of housing supply lost to the Disaster after renovations are completed in several

³ Haggai leadership will seek such approval if the subject request to the HHFDC Board is approved and there is progress on the required actions by the Maui County Council noted below.

⁴ The purchase price has increased since the Board approved the acquisition in November due to the \$100,000 per month closing-delay escalations contained in the PSA. The \$38 million purchase price assumes a March 2024 closing date.

years, the Property has a valuable interim use relating to Disaster recovery.

4. The new purchase price terms have been included in an Eighth Amendment to the PSA which was executed on January 30, 2024. The diligence deadline and closing date deadline are both extended to March 28, 2024, among other things, in the Eighth Amendment.
5. As shown in the below table, should HHFDC proceed with the Property acquisition on the terms outlined above, it is estimated that, at a minimum, approximately \$500,000 of Act 164 funds would be available as subsidy to be offered to developers responding to the County RFP. More will be available, depending on the amount of the Lodging Payments.

<u>Item</u>	<u>Amount</u>
Purchase price	\$ 38,000,000
Near-term repairs and improvements (est.)	3,400,000
PSA assignment fee	1,520,000
GET on PSA assignment fee	72,066
Letter Agreement fee	750,000
Out-of-pocket due diligence cost reimb. (cap)	595,000
Legal fees and other due diligence costs (est.)	100,000
Title insurance premium (est.)	75,000
Estimated total acquisition cost	<u>\$ 44,512,066</u>
CIP appropriation	\$ 45,000,000
Estimated total acquisition cost	<u>(44,512,066)</u>
Funds available to offer through County RFP	<u>\$ 487,934</u>

D. Transaction Timeline

Because the Maui County Council must approve the final forms of the MOA, the Ground Lease, and the Regulatory Agreement and Declaration of Restrictive Covenants before their execution by the County, the remaining timeline for the transaction is largely driven by council rules and meeting calendar, as summarized on the following page.

Date	Event
February 21, 2024	Maui County Council, Housing and Land Use Committee Meeting <ul style="list-style-type: none"> • Item is anticipated to be deferred to full Council.
February 23, 2024	Maui County Council Meeting <ul style="list-style-type: none"> • Reading #1.
March 8, 2024	Maui County Council Meeting <ul style="list-style-type: none"> • Reading #2. • Approval of agreements to be entered into with HHFDC.
March 28, 2024	Closing Date <ul style="list-style-type: none"> • Pursuant to the Eighth Amendment to the PSA.

E. Interim Ownership Period Operating Budget; Funding Agreement with Hawaii Community Foundation

1. As noted in Section II.H above, a condition of HHFDC’s acquisition of the Property is that staff must determine that the asset is not projected to operate at a net loss during the Interim Ownership Period.
2. Operating Revenues
 - a. American Red Cross of Hawaii, which currently occupies approximately 60 rooms at the Property, anticipates scaling down to about 30 rooms soon and needing them for another six to 10 months. The organization also has a new need for approximately 4,000 square feet of commercial space—by the end of February, its disaster-response headquarters needs to vacate space at Queen Kaahumanu Shopping Mall. Suitable replacement space at the Property has been identified, and Paramount is working with Haggai to ensure that the relocation will take place before the Acquisition Date.
 - b. Currently, there are no other major Interim Ownership Period revenue sources that have been committed. That said, representatives of the County, Pacific Rim, and Dowling Company, Inc. (consultant to Pacific Rim on the Property transaction) have expressed their collective belief that demand for Property usage from Disaster-recovery participants should be strong, especially given that HHFDC will be offering below-market room rates.

3. Operating Expenses

Paramount has been working to revise the operating expense budget for 2024, as the now-targeted guest population of Disaster-related responders and recovery workers requires fewer services than the survivor population that had previously been contemplated. Anticipated staffing includes a property manager, a facilities director, a building engineer, 24-hour front-

desk coverage (3.0 full-time equivalent [FTE] administrative assistants doubling as quasi-security), and two housekeeping shifts (2.0 FTEs).

4. Hawaii Community Foundation Funding Agreement

- a. To date, the Hawaii Community Foundation (HCF) has raised over \$178 million for its Maui Strong Fund, which was established to provide financial resources to support the immediate and long-term recovery needs for the people and places affected by the Disaster. Since October, staff has been discussing with HCF leadership the possibility that the fund can be used to help to facilitate HHFDC's purchase of the Property.
- b. Understanding that HHFDC does not have funds to subsidize operating losses during the Interim Ownership Period and recognizing the transaction's near- and long-term benefits to the community, staff has been advised that a request by HHFDC to use the Maui Strong Fund's resources to provide a "backstop" against such losses will be viewed favorably by the HCF Board of Directors. A request to HCF will be submitted within one to two weeks, once the operating budget has been further refined.
- c. It is staff's determination that the execution of an agreement between HHFDC and HCF whereby HCF agrees to fund Interim Ownership Period net operating losses up to a reasonable cumulative limit will satisfy the condition of the Property acquisition contained in the November 9, 2023 Board approval and summarized in Section II.H.1 above.

IV. RECOMMENDATION

Staff's recommendation is that the HHFDC Board of Directors:

- A. Approve the execution of a Memorandum of Agreement regarding the Property with the County;
- B. Amend the terms and conditions of the Board's November 9, 2023, approval of the acquisition of the Property; and
- C. Approve the execution of a ground lease of the Property with the County;

Each substantially on the terms described herein; and

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

Attachment: Exhibit A – For Action dated November 9, 2023

Prepared by: Chris Woodard, Chief Planner



FOR ACTION

I. REQUEST

Approve: (1) the Acquisition of the Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel Located at 175 E. Lipoa Street, Kihei, Maui, TMK No.: (2) 3-9-002: 084 (the Property); and (2) the Establishment of a Dwelling Unit Revolving Fund Budget Relating to the Property

II. FACTS

Property: Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel
Address: 175 E. Lipoa Street, Kihei, HI 96753
Tax Map Key No.: (2) 3-9-002: 084
Land Area: 6.272 acres
State Land Use District: Urban
Zoning: B-2 Community Business District
Owner: Haggai International Institute for Advanced Leadership Training, Inc.
Land Tenure: Fee simple

A. Property Overview

1. Haggai International Institute for Advanced Leadership Training, Inc. (Haggai) owns in fee simple the Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel (the Property). Located in a mixed-use neighborhood of Kihei, the Property is positioned at the northwest corner of Lipoa Street and Lilioa Drive and is proximate to numerous community facilities and amenities, including the Kihei Community Center, Kihei Elementary School, Lokelani Intermediate School, Kihei Regional Park, two supermarkets, and numerous restaurants and retail centers. See **Exhibit A** for a property location map.
2. Situated on a 6.272-acre site, building construction was completed in 1989 when the Property was opened as the Maui Sun Hotel. With approximately 168,000 square feet (s.f.) of floor area, the building had an original configuration of 216 hotel rooms in two, six-story wings (plus basement in one wing) connected by a two-story lobby and restaurant area. It was also constructed with hotel meeting and recreational facilities. The Property was also improved with 288 surface parking stalls. See **Exhibit B** for aerial views of the Property.
3. The Maui Sun Hotel ceased hospitality operations and was shut down following the Japanese asset-price bubble burst in the early 1990s. Haggai purchased the Property from a court-appointed receiver for approximately \$11.85 million in 1995, subsequently repurposing it as a Christian missionary training and religious facilities center and renaming it as the Mid-Pacific Center.

a. Guest Rooms

In its current configuration, the Property has 175 furnished guest rooms (including a few large suites on the sixth floors of both the East and North wings of the building), nearly all with large lanais (approximately 125 s.f.). Approximately 68 of the rooms are connecting rooms.

The Property's unit mix is summarized in the following table.

Unit Type	No. of Units	Average Size (s.f.)
Studio	148	366
One-Bedroom	21	833
Two-Bedroom	4	1,341
Three-Bedroom	2	1,730
Total/Weighted Avg.	175	460

Unit furnishings and fixtures are typical of a standard hotel room, although they notably lack televisions. The furnishings generally are of good quality and in good condition.

The 148 studio units are furnished with two queen-sized beds. The 27 one-, two-, and three-bedroom units, which Haggai created by combining rooms or absorbing hotel service spaces and amenity areas (for example, maid closets and vending rooms) are furnished with a mix of queen- and king-sized beds.

Thirty-five (35) units have kitchenettes with cabinets and a countertop, a sink, a mini refrigerator, and a small microwave oven; 32 units have a mini refrigerator and a small microwave oven; and eight units have full kitchens.

See **Exhibit C** for a floor plan of a representative building wing and **Exhibit D** for photos of representative guest rooms.

b. Indoor Facilities

Indoor facilities include a dining area with adjoining commercial kitchen, a fitness center, a central laundry room, four guest laundry rooms, a bistro with adjoining kitchen, a library, a 120-seat auditorium, and various meeting rooms and management offices. Wi-Fi is available throughout the building.

See **Exhibit E** for photos of various indoor facilities.

c. Outdoor Facilities

Outdoor facilities include a swimming pool, a koi pond, and a soccer field, the latter of which supplanted approximately 120 of the original parking stalls. See **Exhibit F** for photos of various outdoor facilities.

B. Contracted Property Sale to Pacific Rim; Contemplated Assignment to HHFDC

1. During 2020, Hodges Ward Elliott (Hodges), a boutique real estate capital markets advisor with expertise in hospitality real estate commenced marketing the Property for sale on behalf of Haggai. The offering memorandum prepared by Hodges contemplated a conversion of the Property into a 231-key, compact full-service or premium-branded, select-service hotel, with rezoning required to convert the Property into a commercially operated hotel.
2. On April 28, 2022, Haggai as seller and Pacific Rim Land, Inc. (Pacific Rim) as buyer entered into a Purchase and Sale Agreement relating to the Property (the PSA), and Pacific Rim and its business partner Paramount Hotels LLC (Paramount) commenced acquisition due diligence activities. The parties envisioned converting the Property into residential corporate housing to accommodate residents such as construction workers and traveling nurses.
 - a. Pacific Rim is a private real estate investment, development, and management company founded in 1990. With offices in Hawaii and Washington State, Pacific Rim and its affiliates invest in a variety of real estate assets, including residential, hotel, retail, and vacant land primarily in Hawaii and the U.S. West Coast.
 - b. Paramount is the owner and operator of three boutique hotels—the 265-key Maui Coast Hotel (located in Kihei approximately two miles south of the Property and currently undergoing a 162-key expansion), the 154-key Paramount Hotel Seattle, and the 152-key Paramount Hotel Portland. The firm recently entered the property development business, undertaking residential projects in Hawaii and Bellevue, WA.
3. In April 2023, staff learned that the Legislature was considering an appropriation of funds to HHFDC to:
 - a. Acquire the fee-simple interest in the Property; and
 - b. Upon acquisition, simultaneously enter into a long-term ground lease of the Property with the County of Maui (the County), which would subsequently convert the Property into an affordable-housing project with additional prekindergarten educational uses.
4. On May 4, 2023, the Legislature passed H.B. 300, H.D. 1, S.D. 1, C.D. 1 Relating to the State Budget (H.B. 300). Although not requested by HHFDC, the bill appropriated \$45 million in general obligation bond funds to HHFDC under Capital Improvement Projects (CIP) Item 17 (Preschool Early Education, Teacher Housing and Affordable Workforce Development Initiative, Kihei, Maui) for “plans, land acquisition, design and construction for repurposing existing facility for public prekindergarten classrooms, dedicated teacher housing and affordable workforce housing; ground and site improvements; equipment and appurtenances.”
5. On May 24, 2023, staff held the first of a series of meetings with representatives of the County to discuss HHFDC’s planned acquisition of

the Property, the issuance of a ground lease of the Property to the County, and the subsequent conversion of the Property into public prekindergarten classrooms and dedicated teacher housing and affordable workforce housing.

6. On May 30, 2023, staff met with representatives of Dowling Company, Inc. (Dowling), a Maui-based real estate development and investment company that was founded in 1989 and which is serving as a consultant to Pacific Rim, to discuss the third-party due diligence reports that Dowling had already obtained and was in the process of obtaining relating to an acquisition of the Property.
7. On June 26, 2023, Haggai and Pacific Rim executed a Sixth Amendment to PSA (the Sixth Amendment). Among other things, the Sixth Amendment provides that:
 - a. The due diligence period ends at 8:01 A.M. Hawaii-Aleutian Time on Friday, December 29, 2023;
 - b. Closing shall take place at 8:01 A.M. Hawaii-Aleutian Time on a date mutually agreed upon by the parties but no later than Friday, December 29, 2023;
 - c. The purchase price is \$37.1 million, increasing by \$100,000 on July 1, 2023, and on the first calendar day of each subsequent month until closing occurs. The resulting purchase price assuming a closing in December 2023 is \$37.7 million; and
 - d. Pacific Rim has the right to assign its rights and entitlements under the PSA to, among other parties, “a federal, state, county, or municipal government or any governmental agency, department, bureau, subdivision, instrumentality, body, corporation, or other arm or extension of any of the foregoing (each a ‘Government Buyer’)” without Haggai’s consent, and with such assignment limited to an assignment effective as of the closing date and simultaneous with the closing.
8. On June 30, 2023, the Governor approved H.B. 300, enacted as Act 164, Session Laws of Hawaii 2023 (Act 164) and known as the General Appropriations Act of 2023.
9. On July 10, 2023, Paramount and Pacific Rim entered into a letter agreement (the Letter Agreement) under which Paramount agreed to withdraw from the project as a co-venturer with Pacific Rim due to “differing visions for the property,” thus allowing Pacific Rim to assign its purchase rights under the PSA to a Government Buyer¹.
 - a. Among other things, the Letter Agreement provides that, upon the assignment of the PSA to a Government Buyer, Pacific Rim will transfer to Paramount the amount of \$750,000 as a fee for the work done by Paramount on the project and in consideration for Paramount’s agreement to withdraw.

¹ The Letter Agreement variously refers to the “State of Hawaii,” “other Government entity,” and “other Government agency.” For the purposes of this document, the term “Government Buyer” is used to describe the various terms used in the Letter Agreement and is assumed to have the same meaning as the PSA-defined term.

b. The Letter Agreement is subject to a Government Buyer closing on the purchase of the Property and shall be null and void if a Government Buyer does not complete the acquisition.

c. The Letter Agreement provides that,

Pacific Rim Land will, on or before the date this agreement closes, cause to be recorded... a deed restriction on terms satisfactory to Paramount Hotels, in the exercise of its reasonable discretion, which covers all of the real property that is the subject of the [PSA], which will prohibit, for as long as may be legally permissible, the construction, operation, use or conduct of a hotel business or transient lodging operation on that property.

C. Maui Wildfires; Subsequent Property Use

1. On August 8, 2023, wildfires on Maui swept through the towns of Lahaina and Kula, impacting approximately 2,170 acres of land and resulting in devastating loss of lives, homes, businesses, and community. The fires are believed to have claimed 97 human lives, destroyed about 2,300 structures, and destroyed or rendered inhabitable over 3,700 homes.
2. At the time of the wildfires, the Property had been almost wholly vacant since Haggai had ceased active missionary-training activities in anticipation of a sale. In the wake of the wildfires, Haggai made the Property available to temporarily house various first responders, including members of the Hawaii State National Guard, the American Red Cross, and Southern Baptist Disaster Relief. As of October 27, approximately 150 first responders were occupying the Property.

D. Transaction Pivot

In the aftermath of the wildfires and due to the intense demands placed on the County in its response to the disaster, staff, County representatives, the Lieutenant Governor, and certain members of the Legislature variously held discussions concerning how to proceed with the contemplated acquisition and subsequent operation of the Property.

In September, staff determined that:

1. Due to the all-hands nature of the County's response to the wildfires disaster and recovery efforts and the dire need for housing on Maui that was exacerbated by the wildfires, HHFDC should proceed with its activities to acquire the Property and itself (rather than the County) subsequently own and operate the Property as temporary housing for survivors of the wildfires disaster;
2. HHFDC should engage the services of a contractor to manage and maintain the Property during the period of use as temporary housing for wildfire survivors; and

3. During its initial months of its ownership, HHFDC should issue a Request for Proposals (RFP) from qualified developers of affordable housing to acquire a long-term leasehold interest in the Property and convert it into permanent multifamily housing and prekindergarten educational uses in accordance with the requirements of Act 164.
 - a. A preliminary plan prepared by Pacific Rim, Paramount, and Dowling contemplated that the Property would be converted into 117 one- and two-bedroom apartments at an estimated cost of approximately \$28.5 million (or \$243,590 per unit). The cost to repurpose the library space, which is on the ground level with direct access, into prekindergarten classrooms is estimated to be approximately \$10.8 million (or \$1.8 million per classroom).
 - b. If HHFDC closes on the acquisition of the Property, staff intends to seek the Board's approval of the key terms of the RFP at its regular meeting on January 11, 2024. Key RFP terms are expected to include: i) either a set-aside of a specific number of units for households with teachers or a tenant-selection preference for households with teachers; ii) household income restrictions based on area median income (AMI); iii) rent restrictions based on AMI guidelines; and iv) a requirement to provide public prekindergarten classroom space, among other things.
 - c. A projected timeline of the contemplated RFP process and subsequent leasehold disposition is presented as **Exhibit G**.

III. DISCUSSION

A. Release of CIP Funds

At HHFDC's request, the Governor released the full \$45 million of CIP funds for the project on September 23, 2023.

B. Contract for Deputy Attorney General Services

On September 29, 2023, the Department of the Attorney General entered into a Contract for Special Deputy General Services with the law firm of Starn O'Toole Marcus & Fisher (Starn O'Toole) for the purpose of providing legal services to HHFDC relating to its planned acquisition, interim operation, and leasehold disposition of the Property. The principal attorney assigned to the matter is Norman H.Y. Cheng, who concentrates his practice in the areas of real estate, commercial leasing, business structuring, hotels and resorts, and general commercial transactions.

C. Agreement to Assign Purchase and Sale Agreement

As noted above, Pacific Rim has the right to assign its rights and entitlements under the PSA to a Government Buyer without Haggai's consent, with such assignment limited to an assignment effective as of the closing date and simultaneous with the closing. Staff is negotiating with Pacific Rim an Agreement to Assign Purchase and Sale Agreement (the Agreement to Assign), with the key terms summarized below.

1. Agreement to Assign. Subject to the terms, conditions, and covenants provided in the Agreement to Assign, Pacific Rim agrees to assign to HHFDC, and HHFDC agrees to assume from Pacific Rim the PSA, simultaneous with the closing pursuant to an Assignment Agreement.
2. HHFDC Consent Rights. All actions, approvals, and consents exercised by Pacific Rim: a) under the PSA as the buyer; or b) in connection with the Letter Agreement, shall require HHFDC's prior written consent.
3. Notice to Proceed. HHFDC shall notify Pacific Rim, in writing and delivered to Pacific Rim no later than December 1, 2023, that HHFDC is committed to acquire the Property, subject to the availability of government funds and the receipt of all necessary government approvals and the performance by all parties of their closing obligations under the PSA.
4. Amendment to PSA. Prior to execution of the Agreement to Assign, Haggai and Pacific Rim will execute an amendment to the PSA that deletes the section relating to buyer indemnity² and insurance³.
5. Consideration to Pacific Rim. As consideration for Pacific Rim assigning its interest in the PSA to HHFDC, HHFDC agrees to pay to Pacific Rim at closing the sum of the following amounts:
 - a. An assignment fee in the amount equal to 4% of the purchase price plus general excise tax (GET) thereon⁴;
 - b. An amount equal to the fees paid by Pacific Rim to Paramount pursuant to the Letter Agreement, plus GET thereon, but in no event more than \$750,000; and
 - c. The out-of-pocket Property due diligence costs paid by Pacific Rim, subject to Pacific Rim providing reasonable documentation acceptable to HHFDC evidencing the that the costs have been paid in full and are related to the diligence of the Property, but in no event more than \$595,000.⁵

D. Preliminary Due Diligence Findings

1. Zoning

HHFDC has engaged counsel to review the zoning for the Property and confirm that there are no outstanding violations and that the Property is properly zoned for its intended use. The review is underway as part of HHFDC's diligence.

² Except for limited circumstances, HHFDC is not authorized to indemnify, defend, or hold harmless other parties to a contract against claims for damage or injuries resulting from the acts or omissions of HHFDC.

³ The insurance coverage available under the State of Hawaii Risk Management Program does not meet the PSA requirements.

⁴ Staff finds the assignment fee to be reasonable given Pacific Rim's time spent on due diligence since the Property was put under contract in April 2022 and given Pacific Rim's opportunity cost of assigning the PSA to HHFDC.

⁵ Additionally, Pacific Rim will cooperate with HHFDC and authorize and aid in the certification to HHFDC, HHFDC's title insurer, and any other party HHFDC may identify, of all reports, surveys, and any other diligence material obtained in connection with Pacific Rim's diligence inspection of the Property. If Pacific Rim is unable to obtain a certification to HHFDC for any report where HHFDC has requested to be a reliance party, the cost of such report shall not be includable as a cost reimbursement.

2. Phase I Environmental Site Assessment

Dowling engaged Tetra Tech, Inc. to prepare a Phase I Environmental Site Assessment (ESA) Report in accordance with *ASTM E1527-21 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process*. The Phase I ESA did not identify any significant environmental issues and, according to the report, no Phase II investigation is necessary.

There were no recognized environmental conditions identified at the Property. The report identified one *de minimis* condition, a minor oil spill from a transformer on the Property, that occurred sometime between 2018 and 2023. According to the report, the spill was immediately cleaned up by Maui Electric Company, with approximately 1.5 cubic foot of impacted soil removed, and no further action is required.

The report also identified one business environmental risk based on the date of construction of the building from 1988 to 1990. Specifically, due to the timing of the construction, the report notes the possibility of asbestos-containing building materials on the Property. This will need to be addressed when any repair or construction is conducted.

This Phase I ESA report was provided in draft form and will be further updated with Dowling's comments clarifying the current use and occupancy of the Property. The report will also be certified to HHFDC as "user" in order to receive the environmental law protections that this Phase I ESA affords to the user.

3. Property Condition Assessment

Dowling engaged Professional Real Estate Inspectors Hawaii to prepare a Property Condition Assessment Report in accordance with *ASTM 2018-15 Standard Guide for Property Condition Assessment Baseline Property Condition Assessment Process*. Overall, the Property was deemed to be in "fair" condition consistent with its age, location, and construction. Major items relate to damage from water intrusion, root encroachment, and general wear of equipment/structures.

- a. The estimated probable cost if all recommended repairs are completed would amount to approximately \$786,000, and the projected total rough order magnitude replacement cost for HVAC and plumbing equipment is approximately \$1.16 million.
- b. The most immediate need appears to be the repair and servicing of the elevators. The majority of the installed elevators were out of service, and the five-year load test inspection records were expired, at the time of the inspection. Also, the emergency call devices within the elevators did not function when tested. If the elevators are to be used and properly permitted, repairs and servicing to restore the elevators to operation is necessary, at an estimated cost of approximately \$26,000. (However, we note that Paramount's report on recommendations for repairs noted in Section III.H.1 below estimates elevator repair costs to total nearly \$1.5 million.)

4. Accessibility Compliance Assessment

Paramount engaged Jensen Hughes, Inc. to conduct an accessibility compliance assessment of the Property. The report identified several accessibility issues relating to public interior spaces that were modified by Haggai, a lack of accessible dwelling units, the public restrooms, the elevators, outdoor walkways, parking, and the like.

5. Title Insurance Policy and ALTA Survey

At the closing, HHFDC will obtain a title insurance policy for the Property. Austin, Tsutsumi & Associates, Inc. was engaged to prepare the ALTA Survey. A preliminary review of title and the survey did not reveal any major issues. There are various minor encroachment issues (e.g., walls encroaching into the County sidewalks) and a possible access issue relating to East Lipoa Road. HHFDC is working with the title company to confirm that the Property has legal access to a public roadway. Our initial analysis suggests that East Lipoa Road is a private roadway that is maintained by the County. We will continue to work with the title company towards obtaining a title insurance policy to address this access issue.

6. Replacement Cost Estimate

Dowling engaged Rider Levett Bucknall to prepare a replacement cost estimate for the Property. The consultant concluded that the probable replacement cost estimate is \$124,943,960.

7. Market-Value Appraisal

Dowling engaged John Child & Co. to prepare a market-value appraisal of the fee-simple interest in the Property, and we await delivery of the report. The expectation is that the estimated market value will be greater than the purchase price.

Pursuant to Hawaii Revised Statutes (HRS) Section 201H-33(d),

The corporation may acquire, by eminent domain, exchange, or negotiation, land or property required within the foreseeable future for the purposes of this chapter. Whenever land with a completed or substantially complete and habitable dwelling or dwellings thereon is acquired by exchange or negotiation, the exchange value or purchase price for each dwelling, including land, shall not exceed its appraised value.

E. Environmental Review

Pursuant to HRS Section 343-5, except as otherwise provided, an environmental assessment (EA) is required for actions that propose the use of State funds. The contemplated acquisition of the Property (the Proposed Action) has been reviewed against the HHFDC Exemption List concurred by the Environmental Advisory Council on November 1, 2022, and it has been determined that the Proposed Action qualifies under exemption type three, and item 1 under Part 1 Actions; and under exemption type nine, and under items (1) and eight (8) under Part 1

Actions. Accordingly, HHFDC's contemplated acquisition of the Property is exempt from the requirement to prepare an EA.

F. Property Management and Maintenance Services Contract⁶

1. After the September decision by staff that HHFDC should proceed with its activities to acquire the Property and subsequently own and operate the Property as temporary housing for wildfire survivors, staff commenced discussions with Paramount regarding a contract to provide property management and maintenance services for the Property (a Management Contract).
 - a. As noted above, Paramount is primarily an owner and manager of boutique hotels in the Pacific Northwest and on Maui. A corporate biography of Paramount is attached as **Exhibit H**.
 - b. Staff chose to exclusively negotiate a Management Contract with Paramount primarily due to the firm's high level of familiarity with the Property, having participated in due diligence activities with Pacific Rim early on.
 - c. Additionally, Paramount owns and manages the nearby Maui Coast Hotel in Kihei, which should create certain operational efficiencies for the benefit of the Property.
 - d. Finally, staff believed that, given the December 29, 2023, closing deadline and the substantial amount of due diligence remaining to be completed at the time, it was neither practicable nor advantageous to HHFDC to conduct a competitive procurement of property management and maintenance services for the Property.
2. The Governor's Seventh Proclamation Relating to Wildfires (the Wildfires EP) suspends HRS Chapter 103D (the Hawaii Public Procurement Code) to the extent that the law impedes or tends to impede or be detrimental to the expeditious and efficient execution of, or to conflict with, emergency functions. HHFDC's Management Contract with Paramount is made pursuant to the Wildfires EP and is not subject to the requirements of HRS Chapter 103D.
3. The financial terms of the Management Contract being negotiated with Paramount provide for a base management fee of \$50,000 per month and a 4% development support services fee. Staff believes the base management fee to be reasonable based on its general knowledge of hotel management agreement compensation structures. Norm Cheng, legal counsel to HHFDC, has significant experience in the due diligence, sale, and acquisition of hospitality properties and concurs with staff's assessment.
4. Paramount has prepared a preliminary short-form operating budget for the Property, which is attached as **Exhibit I** and shows projected annual operating expenses of approximately \$4.6 million.

⁶ Pursuant to the approved For Action dated July 3, 2006, the Board delegated to the Executive Director the duty to "[a]s permitted by all applicable laws, approve all contracts, including change orders..." Accordingly, staff is not seeking the Board's approval of the execution of a property management and maintenance services contract with Paramount.

5. Additionally, Paramount has identified numerous deferred maintenance items and improvements that are recommended to be undertaken in the near term and which are estimated to cost a total of \$6.57 million to complete. Some of the items address life-safety issues, while others are intended to address the needs of individuals and families who will be temporarily housed at the Property. See **Exhibit J**.
6. HHFDC's historical management contracts for its owned properties have provided for the establishment of an imprest account which is typically established at a level equal to 1.5 to 2.0 times the monthly budgeted operating expenses. From this account, the contractor pays for budgeted operating expenses for the property. Twice monthly, the contractor submits to HHFDC a request to replenish budgeted costs that are actually incurred by the contractor in delivering the services specified in the contract.
7. Because there may be unexpected expenses incurred in the early months of operation, staff recommends funding the Property's imprest account at a level equal to two times the monthly budgeted operating expenses (\$770,429) plus a \$500,000 contingency, or \$1,270,429.

G. Dwelling Unit Revolving Fund Budget

1. HHFDC operates the Dwelling Unit Revolving Fund (DURF) pursuant to HRS Chapter 201H, Part III, Subpart I. Pursuant to HRS Section 201H-191(a),

The proceeds in the revolving fund shall be used... for the necessary expenses in administering housing development programs and regional state infrastructure programs, and for carrying out the purposes of housing development programs and regional state infrastructure programs, including but not limited to... supplementing building costs...

2. HHFDC's expenses incurred during its contemplated ownership and operation of the Property while it is executing a plan to sell the Property in leasehold to a developer who will convert it into a facility for public prekindergarten classrooms, dedicated teacher housing, and affordable workforce housing in accordance with Act 164 are necessary expenses for carrying out the purposes of HHFDC's housing development programs but are not an allowable use of Act 164 CIP funds. Staff finds that funding an imprest account for the Property is an allowable use of DURF funds and recommends that \$1,270,429 be budgeted to establish the account.
3. There are sufficient DURF funds available for HHFDC to establish an imprest account for the Property as described above. As of September 30, 2023, the uncommitted DURF funds balance was approximately \$31.8 million (inclusive of a \$10 million loan reserve). An additional combined \$100 million appropriated by the Legislature in 2023 for Fiscal Years 2024 and 2025 is not included in the uncommitted funds balance.

H. Acquisition Cost

1. Staff does not recommend that HHFDC proceed with an acquisition of the property at a purchase price of \$37.7 million. Rather, so long as it does not contravene the appraised value limit requirement in HRS Section 201H-191(a), the recommended purchase price is \$34.5 million, as shown in the below table. Such a price leaves approximately \$1 million in excess CIP funds as a contingency.

<u>Item</u>	<u>Amount</u>
Purchase price	\$ 34,500,000
Near-term repairs and improvements	6,569,266
PSA assignment fee	1,380,000
GET on PSA assignment fee	65,429
Letter Agreement fee	750,000
Out-of-pocket due diligence cost reimbursements (cap)	595,000
Legal fees and other due diligence costs (est.)	100,000
Title insurance premium (est.)	75,000
Estimated total acquisition cost	<u>\$ 44,034,695</u>

2. At \$251,627 per guest room (or \$376,365 per unit based on a possible final product with 117 units), the estimated total cost to acquire the Property is meaningfully greater than the per-unit amount of subsidy that HHFDC typically provides for an acquisition/rehabilitation project financed through its Low-Income Housing Tax Credit and Rental Housing Revolving Fund programs. The average program subsidy provided through 2023 project funding awards was \$20,894 per unit and \$137,251 per unit, respectively (for a total subsidy of \$158,145 per unit).
3. While Property's per-unit acquisition cost is higher than that of a typical acquisition/rehabilitation project financed by HHFDC, staff believes that the cost is reasonable, as explained below.
 - a. The Property's many common areas and special-purpose facilities contribute greatly to the acquisition cost. Total guest room space accounts for only approximately 48% of the total building floor area.
 - b. The Property's estimated total acquisition cost of approximately \$44 million is less its estimated replacement cost and is anticipated to be less than its appraised value;
 - c. In a time of dire housing need on Maui, the Property is available for use now, whereas projects recently awarded HHFDC funding are not expected to be completed until two to four years from now.

I. Operating Revenues

As shown in Exhibit G, HHFDC is anticipated to own and operate the Property through May 2025, when it projects to close on the leasehold sale of the Property to a private developer. Because the exact survivor population to be temporarily housed at the Property has not been determined at this time, the operating revenue stream is unknown. It is recommended that HHFDC proceed with an acquisition

of the Property only if it determines that the revenues projected to be generated by the Property under its interim ownership exceed the budgeted operating expenses.

J. Possible Hawaii Community Foundation Funding

Realizing that the sources and amounts of revenue to be generated through HHFDC's contemplated operation of the Property as housing for wildfire survivors are unknown at this time, Hawaii Community Foundation (HCF) has expressed interest in possibly providing a grant to HHFDC through its Maui Strong Fund. HCF has raised nearly \$150 million for the Maui Strong Fund, which was established to provide financial resources to support the immediate and long-term recovery needs for the people and places affected by the Maui wildfires. A member of the HCF leadership team toured the Property on October 23.

V. **RECOMMENDATION**

Staff's recommendation is that the Board of Directors approve:

A. The acquisition of the Haggai International Mid-Pacific Center f.k.a. the Maui Sun Hotel located at 175 E. Lipoa Street, Kihei, Maui, TMK No. (2) 3-9-002: 084 (the Property) and authorize the Executive Director to undertake all tasks necessary to effectuate such acquisition, including but not limited to the negotiation and execution of:

1. An Agreement to Assign Purchase and Sale Agreement;
2. An Assignment and Assumption of Purchase and Sale Agreement; and
3. Any related transaction documents necessary to consummate the transaction contemplated pursuant to the Purchase and Sale Agreement;

All subject to staff's completion of due diligence to the satisfaction of the Executive Director in his or her sole and absolute discretion, and substantially on the terms described herein (but allowing for modifications as may be deemed reasonable in the Executive Director's sole and absolute discretion); and

B. The establishment of a Dwelling Unit Revolving Fund budget relating to the Property as described herein, subject to the release of such funds by the Governor.

- Attachments:
- Exhibit A – Property Location Map
 - Exhibit B – Aerial Views of the Property
 - Exhibit C – East Wing, Second-Floor Plan
 - Exhibit D – Photos of Guest Rooms
 - Exhibit E – Photos of Indoor Facilities
 - Exhibit F – Photos of Outdoor Facilities
 - Exhibit G – Projected Timeline of Request for Proposals Process and Subsequent Leasehold Disposition
 - Exhibit H – Paramount Hotels Corporate Biography
 - Exhibit I – Preliminary Short-Form Operating Expense Budget
 - Exhibit J – Estimated Costs of Near-Term Repairs and Improvements

Prepared by:  Hunter Miller, Real Estate and Planning Analyst



Lanz Dong, Real Estate Portfolio Manager

Chris Woodard, Chief Planner

LD
CW

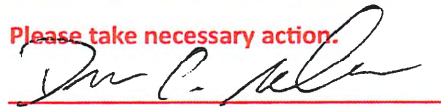
Approved by the Board of Directors as

Circulated **Amended**

On November 9, 2023

Planning, Evaluation & Compliance Branch

Please take necessary action.



Executive Director

Property Location Map



EXHIBIT A
EXHIBIT A

Aerial Views of Property



Southwest Aerial View



Southeast Aerial View

EXHIBIT B

EXHIBIT A



Northwest Aerial View



Northeast Aerial View

EXHIBIT B
EXHIBIT A

Representative Floor Plan: Second Floor of East Wing

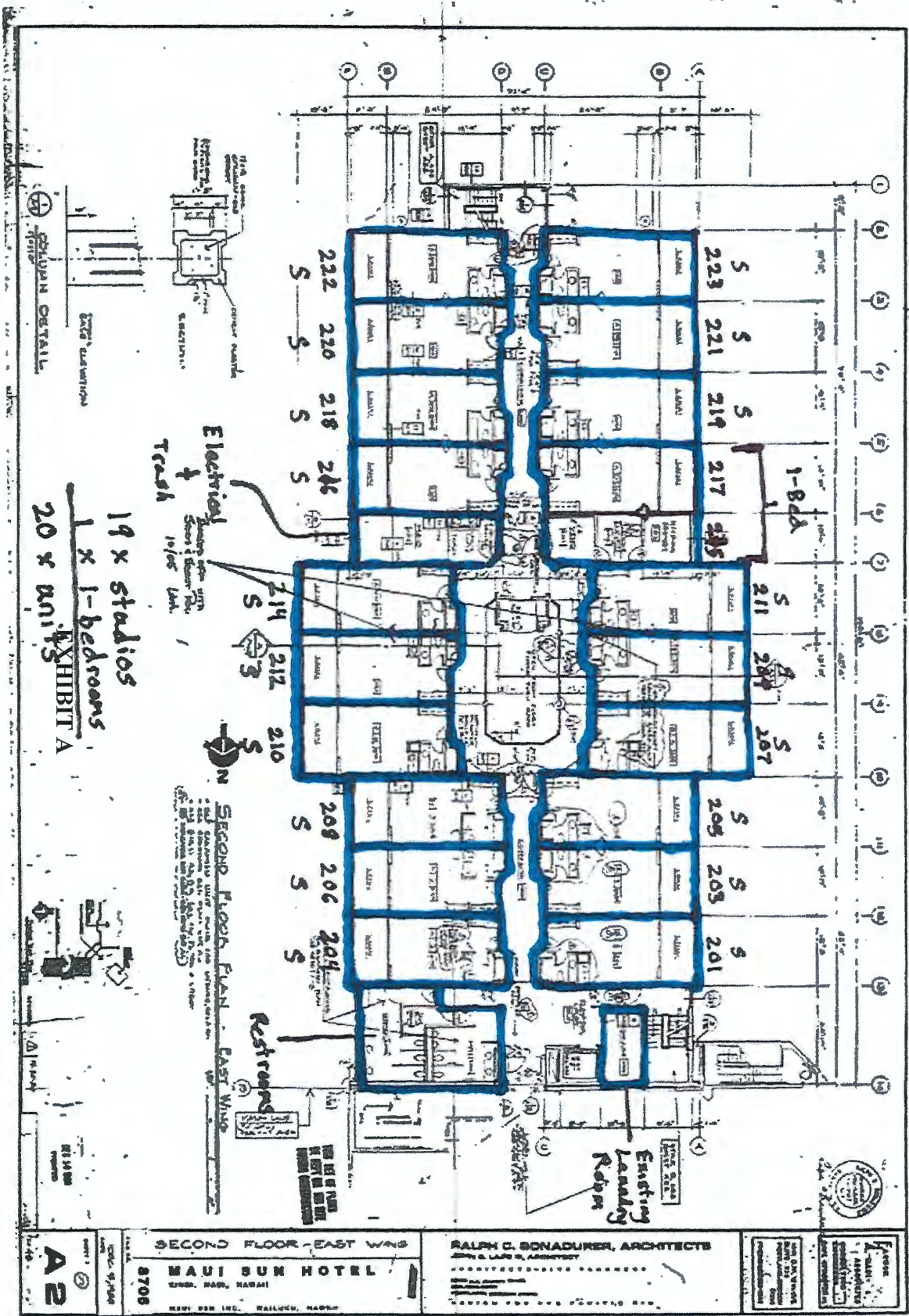


EXHIBIT C

Photos of Representative Guest Rooms



EXHIBIT D
EXHIBIT A

Photos of Various Indoor Facilities



Dining Area

EXHIBIT E
EXHIBIT A



Commercial Kitchen



Central Laundry Room

EXHIBIT E
EXHIBIT A



Fitness Center



Classroom

EXHIBIT E
EXHIBIT A



Auditorium



Library

EXHIBIT E
EXHIBIT A

Photos of Outdoor Facilities



Outside of East Wing



Pool Area

EXHIBIT F

EXHIBIT A

Projected Timeline of the Request for Proposals Process and Subsequent Leasehold Disposition

January 2024	HHFDC Board of Directors approves key terms of Request for Proposals
March 2024	Request for Proposals issued
June 2024	Proposals due
July 2024	Evaluation committee review of offeror proposals
August 2024	Best and final offers due
September 2024	Evaluation committee review of offeror best and final offers
October 2024	HHFDC Board of Directors approves successful offeror
December 2024	HHFDC and successful offeror enter into Purchase and Sale Agreement
March 2025	Successful offeror's due diligence period expires
May 2025	Leasehold sale to successful offeror closes
Late 2025	Leasehold owner begins renovations to convert Project into permanent affordable housing

Decades in the Making

Paramount Hotels is Shaping the Industry

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Our Backstory

WestCoast Hotels, Inc. was founded in 1986 and into the 90s, grew to manage and market 42 hotels across the Western United States.

In 1999, WestCoast sold its assets to Spokane-based Red Lion except for seven boutique hotels including the Seattle Paramount, Roosevelt Hotel, Gateway Hotel, Wenatchee Center, Maui Coast, Portland Paramount, and The Benson Hotel. Consequently, Paramount Hotels LLC was launched in 2000, managing the remaining portfolio until 2009. In 2010 Paramount sold four of the seven properties, but retained its Seattle, Portland and Kihei Maui locations.

Paramount's key executives include second-generation business owner Matthew Olson who serves as President and CEO, veteran hotel executive Devon Edwards who is vice president and CFO, and operations expert Kyle Asher who is vice president and COO.

In addition to managing its current portfolio of boutique hotels, Paramount is expanding its branded holdings including a new 170-room hotel in Maui. Paramount also offers both branded and non-branded hotel development and management as well as residential development.

The Paramount Properties

Every Paramount property has a story, and each holds a special place in our company's legacy. When we look back on where we've been and what we've built, we're clearer than ever on who and what we intend to become. We think you'll discover that there's good reason for the loyalty they enjoy, and that it is rooted in the ideals and values upon which they were built.

Paramount Hotel Portland

European-style ambiance, curated artwork and a welcoming spirit are the benchmarks of the sophisticated Paramount Hotel Portland. Its superb downtown location looks onto Director Park and is just steps from Portland's cultural venues, museums, and restaurants. Guests will enjoy its breathtaking lobby, tasteful rooms, and veteran staff. The hotel was opened in 2000.

Paramount Hotel Seattle

More than just a hotel, The Paramount Hotel Seattle summons the feel of cozy, elegant and luxurious private residence with simple luxury and charm. The boutique hotel is known for its warm, inviting wood finishes, sophisticated lobby and classically decorated rooms and suites appointed with a dash of urban flair. Paramount Seattle was opened in 1996.

EXHIBIT H

EXHIBIT A

Maui Coast Hotel

Maui Coast Hotel is Kihei's premier hotel and offers the best of Maui. Loyal guests indulge in resort-style amenities including an outdoor swimming pool and sundeck and appreciate its proximity to an exhilarating day of snorkeling, diving, paddle boarding or golf, capped off by an unforgettable evening of dining and entertainment at a luau. The hotel is perfectly located across the road to the white sands of one of Maui's most beautiful and award-winning beaches, Kamaole Beach Park I. The Maui Coast Hotel was acquired in 1992.

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PARAMOUNT HOTELS MISSION

Throughout the years, Paramount has earned a reputation for professionalism that reflects our commitment to our team members and partners alike in the communities in which we live and work. Paramount's eye is set not only on the next year, five, or even 10—instead, our goal is to continue sustainably, intelligently, and thoughtfully building a legacy brand that will endure for generations. At our core we value quality over quantity, and have set a benchmark of steadfast integrity, dignity, transparency, and generosity through every tier of our organization. We commit to earning and keeping the unyielding trust and loyalty of our partners, employees, and guests.

...

THE PARAMOUNT PROMISE

At Paramount Hotels we recognize that we are only as good as our word. When we make a promise to ourselves, our employees, and our guests, it is fundamental to our culture that we live up to those declarations. These are our promises: We promise to treat everyone with dignity. We promise that we will make decisions that align with our core values and that we will act with integrity and honesty. We promise to be transparent. We promise to be fair. We promise to be kind.

...

THE PARAMOUNT VISION

Paramount Hotels' work is to create a legacy that will endure and expand for generations. Our vision is to redefine and create the kind of environment that not only affects our employees and guests, but that betters our communities, and changes hearts, minds and expectations within our industry. Our purpose is to create a workplace that is inspiring, joyful, and abundant which in turn creates lifelong memories for our guests. Our purpose informs everything we do,

EXHIBIT H

EXHIBIT A

reminding us we are not only a business, but a contributor to the world in which we hope to live. Our vision stretches far into the future and imagines a company and hotels where our children, grandchildren and great grandchildren will be proud to work and visit.

Foremost, we are building our company with the same ideals that have shepherded us thus far, holding highest our focus on family and relationships. We choose partners who we believe will grow alongside Paramount and who share our ethics. When considering individuals and companies with which to work, we always ask ourselves if our partners feel like us, if they share our values—a question which not only has allowed us to cultivate an exceptional team of professionals, but also as a testament to our Polaris.

A GOLDBLOCKS BRAND

One of the things that makes Paramount successful is our balance between wherewithal and agility. We are big enough that we can make things happen and able to take advantage of smart opportunities, but small enough that our decisions are made with consideration for what is in the best interest of our team members and partners. Although we have division of responsibilities, our strategy always considers our integrity. This clear-eyed comprehensive approach not only serves us well in the business area, but also internally and personally, keeping us intact.

THE EXECUTIVE TEAM

Matt Olson, President, and CEO

Olson graduated from WSU where he earned a degree in hospitality business management. His career began at the Four Seasons Hotels and Resorts where he was the first WSU graduate to be accepted into its manager-in-trainee program. Olson was assigned to Four Seasons' Maui at Wailea location and served as a department head across numerous sectors of the resort. Olson continued his education, completing the master certificate in hospitality from Cornell University, after which he joined Paramount Hotels in Seattle, acting as director of operations, and later as managing director. Olson follows in the tradition of his parents, Rodney and Janice, who owned and operated hotels on the West Coast for 40 years.

Under Olson's leadership, Paramount has recently added real estate development to its portfolio, having just completed a condominium project in Hawaii and is under way on a second residential development in Bellevue, WA.

In addition to leading Paramount, Olson is president of Rotary Boys and Girls Club King County, is a member of YPO Pacific One Chapter and is a UBS Financial Young Successor. Giving back to the community is what he enjoys most. To contact Olson directly, email him at matto@paramounthotels.com or at 206.826.2476.

EXHIBIT H

EXHIBIT A

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Devon Edwards VP/CFO

Edwards started his hotel career working as a front desk agent at the Everett Pacific Hotel in 1988. WestCoast Hotels was engaged to manage the hotel in early 1989, marking his official start with the company. In 1990, Edwards was promoted to reservations manager, then to accounts receivable clerk in 1991. In 1992 he became accounts payable/payroll clerk where he served until July 1993. He was subsequently hired as controller at the Vance Hotel in downtown Seattle in August 1993.

Edwards worked at the Vance until August of 1995 when he was promoted to staff accountant at WestCoast's corporate office, a position he held until its sale to Red Lion in 1999. Through the sale, Edwards was retained and became corporate controller for Paramount Hotels, overseeing the accounting for its seven retained properties. Edwards held the position until 2010 when Paramount Hotels sold four of its hotels. He next went to work with two of Paramount's key executives who formed Coast USA, LLC where he stayed until April 2017. In May 2017, Edwards returned to Paramount Hotels as VP/CFO.

In addition to his three-plus decades hotel accounting experience, Edwards has been married for 31 years, has two grown children, two yellow labs, Abbie and Cooper, and enjoys golfing and fishing in his free time.

To contact Edwards directly, email him at devone@paramounthotels.com or by calling 206.826.2713.

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Kyle Asher, VP/COO

Asher attended Plattsburgh State University in Upstate New York where he studied cognitive psychology. After college, he entered the hospitality industry and began his career in hotel management.

After seven years working in entry level management positions up and down the East Coast, Asher accepted a position with the Waldorf Astoria Hotel in Manhattan, New York. There, he spent four years in numerous director-level positions, culminating with his appointment to director of rooms. Looking for a change of scenery, Asher moved to Seattle with his wife and her daughter. Asher worked four years at the Renaissance Seattle Hotel promoting to rooms manager, before becoming general manager at the Paramount Hotel where he spent the following eight years. In 2021, Asher joined the Paramount Hotels' corporate team as vice president and COO.

EXHIBIT H

EXHIBIT A

After spending three decades working in the hotel space, Asher recognizes both its shortcomings as well as its potential and is working to bring systemic renovation to the industry. In addition to building and running successful, sophisticated hotels and resorts, his passion includes fostering hotel teams which are the healthiest and happiest in the industry.

Asher's community involvement includes former roles on Seattle Hotel Association Board of Directors, Evening of Hope Committee Procurement Chair, and the STIA Board of Directors.

To contact Asher, email him at kyleasher@paramounthotels.com or by calling 206.826.2476.

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EXHIBIT H

EXHIBIT A

HAGGAI 2024 OPERATING EXPENSES

	Total	%
Available Units (175)	64,050	
Occupied Units	53,121	
Occupancy	82.9%	
Payroll	720,001	8.9%
Other	263,900	3.3%
Total Expense	983,901	12.2%
Administration Payroll	276,846	3.4%
Other	70,655	0.9%
Total Admin & Gen	347,501	4.3%
Building Maintenance Payroll	534,930	6.6%
Other	374,574	4.6%
Total Building Maintenance	909,505	11.3%
Contract Labor	175,610	2.2%
Utilities	1,326,700	16.4%
Equipment Lease	11,856	0.1%
Property Tax Real Estate	-	0.0%
Excise Tax (B & O)	2,500	0.0%
Property Insurance	250,000	3.1%
Management Fee	600,000	7.4%
Interest Expense	-	0.0%
Operating Contingency	-	0.0%
Other Non Operating	15,000	0.2%
Total Non Operating	879,356	10.9%
Total Expenses	4,622,573	

EXHIBIT A

EXHIBIT I



Location 1	Cost
00 GC's	\$316,310.00
00 GR's	\$69,950.00
Core	\$485,801.00
East Wing	\$1,194,900.00
North Wing	\$1,290,950.00
Site	\$154,000.00
Subtotal Direct Cost	\$3,511,911.00
General Conditions and Fees	
Sub Default Insurance	\$38,631.02
P&P Bond	\$36,657.20
GL Insurance	\$42,142.93
Builder's Risk	\$19,271.57
Corporate OH	\$26,339.33
Fee	\$179,359.96
Subtotal Fees	\$342,402.01
Total Cost	\$3,854,313.01

Add Alternate A- Priority No. 2 Work	Cost
LED Light Upgrade	\$1,163,819.25

Add Alternate B- Priority No. 3 Work	Cost
Railings Replacement, Plumbing Fixtures, Pool Infill	\$1,551,133.50

Haggai- HHFDC Displaced Lahaina Housing

EST #002, 23.10.30, Priority 1- Base work



Division	Description	Quantity	Unit	Unit Price	Cost
00 GC's					
010000 Personnel					
01024	Construction Manager-10%	1.00	mo	\$35,000.00	\$35,000.00
01025	Project Manager- 50%	3.00	mo	\$28,000.00	\$84,000.00
01035	Superintendent- General	6.00	mo	\$31,000.00	\$186,000.00
01070	Project Assistant-20%	1.00	mo	\$11,310.00	\$11,310.00
Total - 010000 Personnel					\$316,310.00
Total - 00 GC's					\$316,310.00
00 GR's					
011500 Project Maintenance					
01200	IT Service Charge	1.00	ls	\$2,250.00	\$2,250.00
01200	Mobilization	1.00	ea	\$5,000.00	\$5,000.00
01200	Photograph	6.00	mo	\$250.00	\$1,500.00
01200	Postage	6.00	mo	\$150.00	\$900.00
01200	Printing- Plans & Specs	1.00	set(dup)	\$2,500.00	\$2,500.00
01200	Trailer- Furniture	2.00	ea	\$1,125.00	\$2,250.00
01300	Temp. Phone/Internet- bill	6.00	mo	\$525.00	\$3,150.00
01300	Temp. Phone/Internet- Set up	1.00	ea	\$5,000.00	\$5,000.00
01500	Dumpster Pull	16.00	ea	\$1,000.00	\$16,000.00
01500	Progress Clean /mo	6.00	mo	\$4,400.00	\$26,400.00
01500	Signage- Job, LCC, & Branding	2.00	ea	\$2,500.00	\$5,000.00
Total - 011500 Project Maintenance					\$69,950.00
Total - 00 GR's					\$69,950.00

EXHIBIT J

EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 EST #002, 23.10.30, Priority 1- Base work



Division	Description	Quantity	Unit	Unit Price	Cost
Core					
061000 Rough Carpentry					
06100	Porte Cochere Wood Rot Repair	8.00	EA	\$3,500.00	\$28,000.00
06101	Man-fit	1.00	MO	\$4,500.00	\$4,500.00
06102	Other misc wood rot repair	1.00	LS	\$25,000.00	\$25,000.00
Total - 061000 Rough Carpentry					\$57,500.00
113000 Residential Equipment					
11300	Dryer- core	3.00	ea	\$1,560.00	\$4,680.00
11300	Washer- core	3.00	ea	\$845.00	\$2,535.00
11305	Ice Machines- core	5.00	ea	\$9,000.00	\$45,000.00
Total - 113000 Residential Equipment					\$52,215.00
142000 Elevators					
14220	Elevator #3- schindler recommendations	1.00	ea	\$250,800.00	\$250,800.00
Total - 142000 Elevators					\$250,800.00
224000 Plumbing Fixtures					
22400	HW Replacement, DDL	2.00	ea	\$52,643.00	\$105,286.00
Total - 224000 Plumbing Fixtures					\$105,286.00
260005 Misc Electrical					
26000	Electrical disconnect/reconnect- Elevator, HW	2.00	ea	\$10,000.00	\$20,000.00
Total - 260005 Misc Electrical					\$20,000.00
Total - Core					\$485,801.00

EXHIBIT J
 EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 EST #002, 23.10.30, Priority 1- Base work



Division	Description	Quantity	Unit	Unit Price	Cost
East Wing					
062000 Finish Carpentry					
06201	Safety Barriers and Final Clean	50,000.00	sf	\$1.75	\$87,500.00
Total - 062000 Finish Carpentry					\$87,500.00
086000 Roof Windows, Skylights					
08600	Repair Existing Skylight	1.00	ea	\$150,000.00	\$150,000.00
Total - 086000 Roof Windows, Skylights					\$150,000.00
102800 Toilet, Bath and Laundry Accessories					
10280	Bath Accessories	110.00	EA	\$750.00	\$82,500.00
Total - 102800 Toilet, Bath and Laundry Accessories					\$82,500.00
104400 Fire Protection Specialties					
10400	Fire Extinguisher- east	18.00	ea	\$450.00	\$8,100.00
Total - 104400 Fire Protection Specialties					\$8,100.00
113000 Residential Equipment					
11301	Washer- east	10.00	ea	\$845.00	\$8,450.00
11302	Dryer- east	10.00	ea	\$1,560.00	\$15,600.00
11303	Microwave- east	110.00	ea	\$500.00	\$55,000.00
11304	Mini Fridge- east	110.00	ea	\$650.00	\$71,500.00
11305	Ice Machines- east	5.00	ea	\$9,000.00	\$45,000.00
Total - 113000 Residential Equipment					\$195,550.00
142000 Elevators					
14200	Elevator #4- Schindler recommendations	1.00	ea	\$605,000.00	\$605,000.00
Total - 142000 Elevators					\$605,000.00
230000 HVAC					
23000	HVAC- Window Unit Replacement	75.00	EA	\$750.00	\$56,250.00
Total - 230000 HVAC					\$56,250.00
260005 Misc Electrical					
26000	Electrical disconnect/reconnect- Elevator	1.00	ea	\$10,000.00	\$10,000.00
Total - 260005 Misc Electrical					\$10,000.00
Total - East Wing					\$1,194,900.00

EXHIBIT J

EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 EST #002, 23.10.30, Priority 1- Base work



Division	Description	Quantity	Unit	Unit Price	Cost
North Wing					
062000 Finish Carpentry					
06201	Safety Barriers and Final Clean	50,000.00	sf	\$1.75	\$87,500.00
Total - 062000 Finish Carpentry					\$87,500.00
086000 Roof Windows, Skylights					
08600	Repair Existing Skylight	1.00	ea	\$150,000.00	\$150,000.00
Total - 086000 Roof Windows, Skylights					\$150,000.00
102800 Toilet, Bath and Laundry Accessories					
10280	Bath Accessories	106.00	EA	\$750.00	\$79,500.00
10280	Vanity Mirror- North	106.00	EA	\$900.00	\$95,400.00
Total - 102800 Toilet, Bath and Laundry Accessories					\$174,900.00
104400 Fire Protection Specialties					
10400	Fire Extinguisher- north	18.00	ea	\$450.00	\$8,100.00
Total - 104400 Fire Protection Specialties					\$8,100.00
113000 Residential Equipment					
11300	Dryer- north	10.00	ea	\$1,560.00	\$15,600.00
11300	Washer- north	10.00	ea	\$845.00	\$8,450.00
11303	Microwave- north	106.00	ea	\$500.00	\$53,000.00
11304	Mini Fridge- north	106.00	ea	\$650.00	\$68,900.00
11305	Ice Machines- north	5.00	ea	\$9,000.00	\$45,000.00
Total - 113000 Residential Equipment					\$190,950.00
142000 Elevators					
14200	Elevator #5- Schindler Recommendations	1.00	ea	\$613,250.00	\$613,250.00
Total - 142000 Elevators					\$613,250.00
230000 HVAC					
23000	HVAC- Window Unit Replacement	75.00	EA	\$750.00	\$56,250.00
Total - 230000 HVAC					\$56,250.00
260005 Misc Electrical					
26000	Electrical disconnect/reconnect- Elevator	1.00	ea	\$10,000.00	\$10,000.00
Total - 260005 Misc Electrical					\$10,000.00
Total - North Wing					\$1,290,950.00

EXHIBIT J
EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 EST #002, 23.10.30, Priority 1- Base work



Division	Description	Quantity	Unit	Unit Price	Cost
Site					
321200 Flexible Paving					
32121	Repair heaving asphalt	280.00	SY	\$75.00	\$21,000.00
Total - 321200 Flexible Paving					\$21,000.00
321300 Rigid Paving					
32130	Demo and repair 4" sidewalks w/ trip hazards	3,500.00	SF	\$38.00	\$133,000.00
Total - 321300 Rigid Paving					\$133,000.00
Total - Site					\$154,000.00
Subtotal Direct Cost					\$3,511,911.00

EXHIBIT J
EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 Add Alternate A- Priority 2 Work



Division	Description	Quantity	Unit	Unit Price	Cost
Core					
260005 Misc Electrical					
26000	Elect- Building- core, LED upgrade	41,069.00	sf	\$8.25	\$338,819.25
Total - 260005 Misc Electrical					\$338,819.25
Total - Core					\$338,819.25
East Wing					
260005 Misc Electrical					
26000	Elect- Building- east, LED Upgrade	50,000.00	sf	\$8.25	\$412,500.00
Total - 260005 Misc Electrical					\$412,500.00
Total - East Wing					\$412,500.00
North Wing					
260005 Misc Electrical					
26000	Elect- Building- north, LED Upgrade	50,000.00	sf	\$8.25	\$412,500.00
Total - 260005 Misc Electrical					\$412,500.00
Total - North Wing					\$412,500.00
TOTAL ADD Alt A.- Priority 2 Work					\$1,163,819.25

EXHIBIT J
EXHIBIT A

Haggai- HHFDC Displaced Lahaina Housing
 Add Alternate A- Priority 3 Work



Division	Description	Quantity	Unit	Unit Price	Cost
East Wing					
057000 Decorative Metal					
05710	Demo old Lanai Rails	110.00	EA	\$247.00	\$27,170.00
05720	New Code Compliant Aluminum Rails, Lanai, East/West	110.00	EA	\$2,276.00	\$250,360.00
05730	New Code Compliant Aluminum Rails, Stairs, East/West	2.00	EA	\$59,397.00	\$118,794.00
Total - 057000 Decorative Metal					\$396,324.00
224000 Plumbing Fixtures					
22400	replace bathroom toilet- east, Low flow	110.00	ea	\$1,043.00	\$114,730.00
22400	Shower Unit- east, Low flow	110.00	ea	\$1,372.00	\$150,920.00
Total - 224000 Plumbing Fixtures					\$265,650.00
Total - East Wing					\$661,974.00
North Wing					
057000 Decorative Metal					
05710	Demo old Lanai Rails	106.00	EA	\$247.00	\$26,182.00
05720	New Code Compliant Aluminum Rails, Lanai, East/West	106.00	EA	\$2,276.00	\$241,256.00
05730	New Code Compliant Aluminum Rails, Stairs, East/West	2.00	EA	\$59,397.00	\$118,794.00
Total - 057000 Decorative Metal					\$386,232.00
224000 Plumbing Fixtures					
22400	replace bathroom toilet- north, Low flow	106.00	ea	\$1,043.00	\$110,558.00
22400	Shower Unit- north, Low flow	106.00	ea	\$1,372.00	\$145,432.00
Total - 224000 Plumbing Fixtures					\$255,990.00
Total - North Wing					\$642,222.00
Site					
131100 Swimming Pools					
13110	Access and Protection of decking to pool	1.00	LS	\$82,312.50	\$82,312.50
13110	Infill and Landscape Pool	1.00	LS	\$164,625.00	\$164,625.00
Total - 131100 Swimming Pools					\$246,937.50
Total - Site					\$246,937.50
TOTAL ADD Alt A.- Priority 3 Work					\$1,551,133.50

EXHIBIT J
EXHIBIT A