

FOR ACTION

I. REQUEST

Approve a Rental Housing Revolving Fund Project Award for the Hale Pilina Project Located in Kahului, Maui, TMK No.: (2) 3-7-013: 026

II. FACTS

<i>Project Name:</i>	Hale Pilina		
<i>Applicant:</i>	Hale Pilina I LP		
<i>Tax Map Key and Location:</i>	TMK No.: (2) 3-7-013: 026 150 S. Puunene Avenue, Kahului, HI 96732		
<i>Land Tenure:</i>	Fee Simple Fee Owner: Catholic Charities Housing Development Corporation		
<i>Project Type:</i>	New Building		
<i>Target Population:</i>	Family		
<i>Length of Affordability:</i>	66 Years		
<i>Affordability Restrictions:</i>	18 Units @ 30% Area Median Gross Income (AMGI) 18 Units @ 50% AMGI 142 Units @ 60% AMGI 1 Manager Unit <hr/> 179 Total Units		
<i>Projected Unit and Rent Mix:</i>	Units	Unit Type	Monthly Rent*
	9	1-Bedroom Unit	\$499
	9	1-Bedroom Unit	\$934
	71	1-Bedroom Unit	\$1,151
	9	2-Bedroom Unit	\$573
	9	2-Bedroom Unit	\$1,094
	71	2-Bedroom Unit	\$1,355
<i>*Rents are based on the 2023 HUD guidelines and net of utility allowance.</i>			
<i>Estimated Completion:</i>	First Building – July 2026 Project Completion (Last Building) – October 2026		
<i>Type of Construction:</i>	New Construction Type V-A & I-B		
<i>Amenities and Services:</i>	Project Amenities: playground/tot lot, picnic area, computer with high-speed internet access, laundry room, elevator, community meeting room Unit Amenities: range, refrigerator, disposal, cable TV and high-speed internet access		

<i>Floor Area:</i>	111,388 SF Residential Area 31,001 SF Common Area 142,389 SF Total Area
<i>Developer:</i>	Catholic Charities Housing Development Corporation Contact: Robert Van Tassell 1822 Keeaumoku Street, Honolulu, HI 96822 (808) 600-1025
<i>Consultant:</i>	Design Partners Inc. Contact: Ryan Nakamura 1580 Makaloa Street, Suite 1100, Honolulu, HI 96814 (808) 864-6663
<i>Contractor:</i>	Maryl Group Construction Inc. Contact: John Ogoshi 725 Kapiolani Boulevard, Suite C-305, Honolulu, HI 96813 (808) 260-6654
<i>Property Manager:</i>	EAH Housing Contact: Josh Romoff 22 Pelican Way, San Rafael, CA 94901 (415) 689-9402

- 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 16, 2024, Hale Pilina I LP (Applicant) submitted a Consolidated Application on behalf of Hale Pilina (Project) for the Fiscal Year 2024 (FY2024) Funding Round requesting the following program resources:
1. \$58,808,173 tax-exempt issuance from the Hula Mae Multifamily (HMMF) Bond Program; and
 2. \$4,222,207 in annual Federal Low-Income Housing Tax Credit (LIHTC) over a 10-year period and \$4,222,207 in annual State LIHTC over a 5-year period from the non-volume pool (4% LIHTC); and
 3. \$39,570,217 Rental Housing Revolving Fund (RHRF) loan.
- C. A separate For Action is being presented at the July 11, 2024 HHFDC Board Meeting requesting approval of the following for the Project’s benefit:
1. \$58,808,173 tax-exempt issuance from the Hula Mae Multifamily (HMMF) Bond Program; and
 2. \$4,222,207 in annual Federal Low-Income Housing Tax Credit (LIHTC) over a 10-year period and \$4,222,207 in annual State LIHTC over a 5-year period from the non-volume pool (4% LIHTC).

D. The status of the RHRF Program’s availability of funds as of June 30, 2024 is summarized below:

Estimated Cash Balance	\$ 684,741,721
Less Loans Closed and Funding	(77,660,371)
Less Outstanding Commitments	(428,563,915)
Total RHRF Funds – HHFDC & Budget & Finance	<u>\$ 178,517,435</u>

III. DISCUSSION

A. The Project is a new construction 179-unit affordable rental housing facility targeted for families with households earning between 30% and 60% of the AMGI. The Project consists of four (4) buildings, of which two (2) are three-story residential buildings, with 44 and 45 units, and two (2) are four-story buildings on a podium, with tenant parking on the ground level and 45 units each. The Project includes amenities to improve the quality of life for tenants, including a community meeting room, playground/tot lot, picnic area and laundry room. See **Exhibit A** for the Financing Summary/Analysis and **Exhibit B** for the Location, Plans and Images.

B. The Applicant is a single asset, real estate holding company, specifically established to develop, own, and operate the Project. The General Partner of the Partnership is Hale Pilina I LLC, whose sole member is the non-profit Catholic Charities Housing Development Corporation (CCHDC). CCHDC, the developer, has completed numerous affordable projects throughout Hawaii including Meheula Vista in Mililani, Oahu, and Kahului Lani in Kahului, Maui.

C. The proposed Financing Structure (Source of Funds) is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 100,000	\$ 437,775
LIHTC Equity	7,567,755	50,451,701
HMMF Bond	58,808,173	–
Senior Debt - ASB	–	11,270,000
RHRF	31,981,801	39,570,217
Maui County AHF*	10,660,000	10,660,000
Deferred Developer Fee	2,500,000	–
Other Deferred Costs	771,964	–
Total	\$ 112,389,693	\$ 112,389,693

**Proceeds from Maui County’s Affordable Housing Fund will be provided as a grant with no repayment terms*

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

Budget Item	Amount	Cost/sf	Total Cost %
Land Acquisition	\$ 3,186,466	\$ 22.38	2.84%
Construction	89,990,945	632.01	80.07%
Interim and Soft Costs	4,869,029	34.20	4.33%
Financing and Syndication Costs	5,298,965	37.21	4.71%
Developer Fee	3,000,000	21.07	2.67%
Project Reserves	735,964	5.17	0.65%
Contingency	5,308,324	37.28	4.72%
Total	\$ 112,389,693	\$ 789.32	100%

E. The Project's estimated milestones are as follows:

1. Building Permits: 2024 - Q4
2. Loan Closing: 2025 - Q1
3. Construction Start: 2025 - Q2
4. Building Completion: 2026 - Q4
5. Certificate of Occupancy: 2026 - Q4
6. Stabilized Occupancy: 2027 - Q1

F. Applicant's Request (Loan Terms)

1. Loan Amount: \$39,570,217
2. Interest Rate: Years 1-2: 0.00%
After Year 3: 0.25%
3. Origination Fee: 0.5% of Loan Amount
4. Term/Maturity: 3 Years (Interim/Construction Phase)
65 Years (Permanent Phase)
68 Years (Loan Term)
5. Repayment: Years 1-3: No Payments
After Year 4: 75% of Available Cash Flow
6. Collateral: Junior Mortgage to the Senior Loan

G. Recommendation (Loan Terms)

1. Loan Amount: \$39,570,217
2. Interest Rate: Years 1-2: 0.00%
After Year 3: 0.25%
3. Origination Fee: 0.5% of Loan Amount
4. Term/Maturity: 3 Years (Interim/Construction Phase)
65 Years (Permanent Phase)
68 Years (Loan Term)
5. Repayment: Years 1-3: No Payments
After Year 4: 75% of Available Cash Flow
6. Collateral: Junior Mortgage to the Senior Loan
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. No RHRF funds shall be used for relocation expenses.
 - d. 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 \$39,570,217 to Hale Pilina I LP for the Hale Pilina project, with the terms and conditions prescribed in Section III.G. of this For Action and in the draft RHRF Preliminary Commitment Letter as **Exhibit C**, and subject to the following:
 - 1. Authorization and approval by the Governor for 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 the amounts indicated in the Applicant’s Consolidated Application and in this For Action.
 - 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/Analysis
 Exhibit B – Location, Plans and Images
 Exhibit C – RHRF Preliminary Commitment Letter (draft)

Prepared by: Mike Doyle, Finance Specialist I 

Reviewed by: Jay Nakamura, Finance Specialist II 

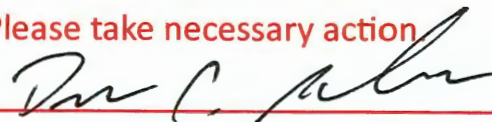
Reviewed by: David Oi, Finance Manager 

Reviewed by: Craig K. Hirai, Executive Assistant 

Approved by the Board of Directors as
 Circulated **Amended**

On July 11, 2024

Finance Branch

Please take necessary action

Executive Director

FINANCING SUMMARY/ANALYSIS

HHFDC FINANCING:

LIHTC REQUEST:	FEDERAL	\$ 4,222,207	STATE	\$ 4,222,207
LIHTC PER UNIT:	(over 10 years)	\$ 9,148	(over 5 years)	\$ 9,148

RHRF REQUEST:

Up To:	\$39,570,217
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HMMF REQUEST:

Up To:	\$58,808,173
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	Cost	Cost/Unit	Cost/SF*	Avg Cost/SF**
SITE CONSTRUCTION:	\$12,575,994	\$70,257	\$88.32	Avg: \$51.16 Low: \$8.22 High: \$143.00
BUILDING CONSTRUCTION:	\$64,724,783	\$361,591	\$454.56	Avg: \$375.69 Low: \$236.13 High: \$479.68
CONTRACTOR PROFIT & OH:	\$10,690,168	\$59,722	\$75.08	Avg: \$56.46 Low: \$22.31 High: \$75.08
TOTAL CONSTRUCTION:	\$89,990,945	\$502,743	\$632.01	Avg: \$491.11 Low: \$391.16 High: \$632.01
TOTAL PROJECT:	\$112,389,693	\$627,875	\$789.31	Avg: \$703.82 Low: \$552.73 High: \$847.90

**Cost/SF is based on the total gross SF of the Project Area per Consolidated App.*

***Average Cost/SF data is based on all the 2024 Funding Round new construction project applications.*

FINANCING & COSTS:

1. LIHTC equity, HMMF bonds, senior debt, RHRF and Maui County Affordable Housing Fund Program (AHF) financing provide the primary financing support for the Project.
2. Recommended award of \$4,222,207 in Federal LIHTC over 10 years and \$4,222,207 over 5 years in State LIHTC.
 - a. Applicant projects a blended investment rate of about \$0.80/LIHTC (supported by a letter of intent from National Equity Fund dated 2/10/2024).
 - b. Anticipated total eligible basis of \$105,555,175 and an applicable percentage of 4.00% supports the recommended LIHTC amounts.
 - c. The projected layering gap of \$63,333,105 supports the recommended LIHTC amount based on the projected investment rate.

EXHIBIT A

3. American Savings Bank will provide tax-exempt financing from proceeds of the HMMF bonds, which will support a construction loan projected to be \$58,808,173. The construction loan will convert to a \$11,270,000 projected permanent senior tax-exempt loan (supported by a Letter of Interest dated 1/17/2024 from American Savings Bank).
 - a. Applicant anticipates coverage of no less than 1.17x over a 35-year amortization period at 5.26% for the annual debt service of \$705,128.
 - b. Breakeven (1.00x DSR) prompted by: (i) increase in interest rate to 6.78%; (ii) increase in vacancy to 10.50%; or (iii) decrease in average rents from \$1,156 to \$1,088 per unit.
4. \$39,570,217 RHRF loan to support construction and permanent financing.
 - a. Full repayment of the loan is expected by year 65 after conversion based on annual servicing of 75% of available cash flow after senior debt service at a rate of 0.25%.
5. Additional permanent financing sources include sponsor equity of \$437,775 and Maui County AHF funds of \$10,660,000.
6. The Project's total development costs are generally in line with the 2024 applicant average for new construction projects.
 - a. Total development cost (TDC) of \$627,875/unit is below the group average of \$641,278/unit for all applicants in 2024. TDC of \$789.31/SF are marginally higher than the group applicant average of \$703.82/SF.
 - b. Total construction cost of \$502,743/unit is above the group average of \$451,281. At \$632.01/SF, the project has the highest construction for the group. This is primarily due to significant site work costs of \$88.32/SF, including the upgrade of 285 feet of waterline required by Maui County. Additionally, labor and material costs on Maui have increased significantly due to the 2023 wildfires.
 - c. Contractor profit, overhead and general requirements of \$10,690,168 is 13.83% of hard construction costs and is slightly above the group applicant average of 13.22%.
 - d. Developer fee of \$3,000,000 is 2.74% of the net total development costs and is the lowest of the group applicant average, and significantly below the group average of 7.83%.
 - e. Contingency of \$5,308,324 is 5.90% of total construction costs and 4.86% of Net Development Costs (TDC less Acquisition Cost). Inclusion of \$500,000 Net Developer's Fee (Developer's Fee less Deferred Developer's Fee) increases contingency to 6.45% of Total Construction Cost and 5.32% of Net Development Costs. This amount is sufficient to absorb a construction cost increase up to \$672.80/SF.

MARKET:

1. The market study in the application indicates that there is more than adequate potential affordable housing demand (30%, 50% and 60% AMGI) in the primary market area for the Project.

EXHIBIT A

FEASIBILITY:

1. The Project is feasible and its assumptions are reasonable. Further, the Project is projected to pay off HMMF bonds upon conversion and payoff the RHRF loan within the affordable commitment period. It also has considerable built-in contingencies to effectively address potential cost increases.

READINESS:

1. The notice of exemption from Chapter 343, HRS was published in the Environmental Notice in July 2021.
2. Construction drawings are completed and are currently being bid out. The Applicant has a shortlist of contractors and intends to award a construction contract by October 2024.
3. Building permits are under review with the county and are expected to be received by December 2024.

PROJECT LOCATION, PLANS AND IMAGES

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



EXHIBIT C

JOSH GREEN, M.D.
GOVERNOR



DEAN MINAKAMI
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

24:FIN/XXXX

Month XX, 20XX

Name
Applicant Name
Address
City

Mr./Ms. Main Contact (First Last):

Subject: Rental Housing Revolving Fund (RHRF) Project Award for Project Name

Project Name (the "Project") has been awarded a Rental Housing Revolving Fund ("RHRF") loan in an amount not to exceed \$00,000,000 (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: [Applicant]
(Borrower)

Guarantor(s): None

Purpose: To provide interim and permanent financing to assist in the development of a 00-unit affordable rental project located in City, State ZIP TMK No.: (0) 0-0-000:000

The Project will feature 00 one-bedroom units, plus 00 manager's unit. All units shall be set aside for families with 00 units at or below

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30% of the area median gross income ("AMGI"), 00 units at or below 50% of the AMGI, 00 units at or below 60% of the AMGI, and 00 units at or below 80%. The Project will remain affordable for 00-years.

Loan Amount: Up to \$00,000,000 for interim and permanent financing.

This amount may be reduced to the extent that the Borrower is able to secure additional funding sources for the development.

Form of Loan: 00-year, junior mortgage loan on the leasehold or fee simple interest, whichever applies, in the Project's premises, improvements, and chattels.

Interest Rate: 0.00% Years 1 through X
0.00% After Year X

Interest will be calculated on a 365-day year.

Origination Fee: 0.5% of loan amount

Loan Term: 00-Years

Prepayment Penalty: None

Payment Terms: Years 1 through X - No Payments

After Year X - XX% 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.

Security: The Loan is to be secured by the following:

- 1) A valid, ALTA-insured junior mortgage on the Borrower's recorded interest on the subject property, subject to all other

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encumbrances of record. Additional security instruments for the Loan may be required at the discretion of HHFDC;

- 2) A security interest in all furniture, fixtures and equipment owned by the Borrower 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; and
- 4) Borrower acknowledges that all of Borrower's obligations, agreements, and completion of the improvements are the direct obligations of Borrower's general partner.

*Availability of Funds
and Governor's
Approval Required:*

The preliminary commitment by HHFDC and the disbursement of funds are subject to the availability of RHRF program funds; and the authorization and approval by the Governor of the State of Hawaii of the release of RHRF program funds for the Project.

*Termination of
Affordability:*

Should the Project fail to maintain its affordable use during the additional 00-year affordability period following the funding of the interim/permanent Loan, the full amount of the Loan shall become 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 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 will 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.

Template Loan documents listed in **Exhibit 1** will be provided for your review. Any drafted changes shall be completed using "Track Changes" in Microsoft Word and shall be both drafted and finalized by your legal counsel. **Any changes to these Loan documents shall be**

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satisfactory to HHFDC and the Attorney General and shall be at their sole discretion. Please acknowledge by initialing and dating below.

Transaction Costs:

All out-of-pocket transaction costs and expenses related to the closing of the Loan shall be the responsibility of the Borrower. It is understood and agreed that the Borrower shall be responsible for any and all costs and expenses pertaining to any 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 Borrower will remain responsible for payment of any fees and expenses incurred.

Title Insurance:

Upon recordation of the Loan documents, Borrower shall provide 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 Borrower's recorded interest in the subject property, subject only to such other liens and encumbrances as may have been approved by 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 Borrower shall properly insure the subject property and provide 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 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*

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satisfactory to HHFDC as to amount, effective and expiration dates, form, content, mortgagee's loss payable endorsement, and all 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 shall be delivered to HHFDC and addressed as follows:

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

If the Borrower uses an "insurance binder" as temporary evidence of insurance coverage, the Borrower shall 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 HHFDC shall be provided to HHFDC prior to closing and state that:

- 1) The Borrower 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 Borrower;
- 3) Compliance by the Borrower with the Loan documents and any other instruments contemplated hereby will not violate any instruments or agreements binding upon the Borrower;
- 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; and
- 5) Such other matters as HHFDC may reasonably request.

*Borrowing and
Signing Resolution:*

The Borrower agrees to provide 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

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the Loan and perform all obligations thereunder. If the Borrower 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 Borrower shall provide 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 Borrower and its constituent entities.

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

A current, approved Hawaii Compliance Express certificate for state and federal taxes for the Borrower and its constituent entities shall be provided just prior to HHFDC's execution of Loan documents.

Financial Statements:

During the term of the Loan, the Borrower agrees to provide HHFDC with such financial and supporting data as HHFDC may require, in form and content satisfactory to HHFDC including: Audited financial statements of the Borrower 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 Borrower's expense, an independent consultant such as an engineer, architect or construction manager, to review and monitor on behalf of 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 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's budget and as to the adequacy of the construction schedule. The consultant shall also visit the subject property

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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's budget and to verify that materials are stored onsite.

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

Appraisal: Prior to the closing of the Loan, HHFDC must receive an HHFDC-ordered appraisal report (at the Borrower's expense) for either the leasehold or fee simple interest, whichever applies to the subject property. The appraisal shall be subject to the satisfactory review of HHFDC.

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

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

ALTA Survey: Prior to closing of the Loan, the Borrower 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.

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*Financing
Commitments:*

The Borrower shall provide to 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 \$000,000;
- 2) LIHTC Equity for no less than \$0,000,000;
- 3) HMMF Bond/Senior Financing for no less than \$00,000,000;
- 4) Deferred Developer Fee for no less than \$0,000,000; and
- 5) Other Deferred Costs for no less than \$000,000

Binding permanent financing commitments for:

- 1) Sponsor Equity for no less than \$000,000;
- 2) LIHTC Equity for no less than \$00,000,000;
- 3) HMMF Bond/Senior Financing for no less than \$0,000,000; and
- 4) Deferred Developer Fee for no less than \$000,000

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

Such commitments shall be in form and content satisfactory to 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 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 Borrower shall furnish HHFDC with the completed Environmental Questionnaire. If such written statement appears insufficient for HHFDC's reliance or leads HHFDC to believe that environmental contamination may have resulted or may result from a prior or current use of the property, the Borrower may have to obtain an environmental examination or audit, at its

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expense, to be made of the property, by an environmental engineer acceptable to HHFDC. *HHFDC may decline the Loan if such examination reveals the existence or prospect of environmentally hazardous materials in amounts or of a nature unacceptable to HHFDC.* The Loan documents will provide for your indemnification of HHFDC against all liabilities, costs, etc., incurred by 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 HHFDC.

Loan Agreement:

The disbursement of Loan proceeds will be governed by a Loan Agreement containing warranties by the Borrower, conditions of 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 HHFDC's request, requirement for completion surveys, remedies on default and such other covenants and provisions as 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 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 HHFDC; and
- 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 Borrower shall submit to HHFDC, evidence satisfactory to 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 Borrower and 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 Borrower and HHFDC set forth in writing specifically referring to this preliminary commitment letter.

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

Specific Conditions: The following documents, among others, are to be provided to 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 HHFDC naming the Borrower

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- and 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 Borrower;
 - 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 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;
 - 8) Letters from the Borrower's architect, engineer and general contractor, in form and content satisfactory to HHFDC, containing among other things, the architect's, engineer's and contractor's consents to the assignment of their contracts to HHFDC as security for the Loan, their agreement to continue performance under their contracts if requested by HHFDC, and the subordination of all of their lien rights to the Loan and 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 HHFDC and paid by the Borrower; and
 - 10) Such other items as may be described in the Loan Agreement referred to above.

Other Terms:

In addition, the Borrower shall provide and/or comply with the following prior to financial closing, during construction, until the time of permanent Loan conversion:

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- 1) The receipt and approval by 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 Borrower);
- 3) Final plans and specifications being reviewed by the State's Disabilities and Communication Access Board ("DCAB") and 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 HHFDC and independent third parties at its sole discretion;
- 6) Borrower shall obtain all necessary loans, grants, and leases from the applicable entities in order to fulfill the purpose of this Loan;
- 7) Receipt by HHFDC of evidence satisfactory to HHFDC that the sources of permanent financing are sufficient;
- 8) Delivery and execution by the Borrower, and HHFDC approval, of the items enumerated on the checklist prior to closing and funding of the Loan.
- 9) The Borrower consulting with HHFDC and receiving prior written approval of the Executive Director to effectuate any changes to the Project as proposed;
- 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 \$0,000;

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- 11) Borrower shall 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 for all recorded liens shall not exceed 100% of the appraised value at the time of closing;
- 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 \$0,000,000;
- 14) No disbursement of Developer's Fee until satisfactory completion of the Project;
- 15) Completion and submission of HHFDC's project quarterly report ("Quarterly Report") within 30 calendar days from the end of each calendar quarter (Please see **Exhibit 2** for a sample Quarterly Report). Timely Quarterly Report submissions shall be required for this RHRF award from the date of this award until the Project achieves stabilized operations. Completed Quarterly Reports shall be emailed to: chelsea.n.newcom@hawaii.gov.
- 16) The RHRF Project Award is subject to the availability of funds; and
- 17) 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 12 months from the RHRF Project Award date. In the event that the Loan is not closed and recorded by said date, 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 in 30 calendar days from the date of this letter unless HHFDC receives an executed copy by said date. HHFDC and the Borrower agree to work in good faith to complete all the necessary documentation satisfactory to all parties.

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The Borrower shall defend, indemnify, and hold harmless the State of Hawaii, 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.

APPROVED AS TO FORM:

Sincerely,

Deputy Attorney General

Dean Minakami
Executive Director

ACKNOWLEDGED AND ACCEPTED¹:

By: _____
PRINT BORROWERS FIRST & LAST NAME

Its: _____
TITLE

Signature: _____

Date: _____

¹ Should the Acknowledgement and Acceptance of the RHRF loan award be executed by an individual other than the designated Borrower, a Corporate Resolution specifying the signatory authority of said individual shall be provided alongside this document.

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



I. BASIC MILESTONES

These milestones must be achieved by the expiration date stated in the preliminary commitment

- A. Evidence of site control and development rights to the property.
- B. Evidence of all necessary zoning, or exemptions or variances thereto, to complete the project as
- C. Evidence of all sources of financing to complete the project. Applicants shall provide

II. PRELIMINARY DEVELOPER CHECKLIST

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

SECTION 1. Entity & Organization	1.	Articles of Incorporation (Award Recipient and constituent entities)	Received <input type="checkbox"/>		
	2.	By Laws (Award Recipient and constituent entities)	Received <input type="checkbox"/>		
	3.	Certificate of Limited Partnership	Received <input type="checkbox"/>		
	4.	Partnership agreement and Amendments	Received <input type="checkbox"/>		
	5.	Consent of Partners/Members (if applicable)	Received <input type="checkbox"/>		
	6.	Organization Chart of all entities making up Award recipient	Received <input type="checkbox"/>		
		Certificate of Vendor Compliance (CVC) <i>CVCs shall be from award recipient(s), constituent entities, and General Contractor & shall be dated no longer than 30 days prior to closing</i>		Received <input type="checkbox"/>	
		• Certificate of Good Standing (original) – dated no longer than 30 days prior to closing (Award Recipient and constituent entities)	Received <input type="checkbox"/>		
	7.	• 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)	Received <input type="checkbox"/>		
		• Certificate of Good Standing (original) – dated no longer than 30 days prior to closing (Award Recipient and constituent entities)	Received <input type="checkbox"/>		
	• State and Federal Tax Clearance Certificate for General Contractor	Received <input type="checkbox"/>			
SECTION 2. LAND & SITE CONTROL	8.	Evidence of site control and development rights to the property (recorded conveyance documents)	Received <input type="checkbox"/>		
	9.	Lessor's Consent to Mortgage	Received <input type="checkbox"/>		
	10.	Lessor's Estoppel Certificate	Received <input type="checkbox"/>		
	11.	Preliminary Title Report	Received <input type="checkbox"/>		
	12.	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)	Received <input type="checkbox"/>		
	13.	ALTA Survey	Received <input type="checkbox"/>		
	14.	USPAP Appraisal	Received <input type="checkbox"/>		

SECTION 3. PERMITS & PROJECT READINESS	15.	Project Schedule – 2 copies	Received <input type="checkbox"/>	
	16.	Grading Permit – 2 copies	Received <input type="checkbox"/>	
	17.	Building Permit – 2 copies	Received <input type="checkbox"/>	
	18.	Soils Test Report	Received <input type="checkbox"/>	
	19.	Detailed Plans and Specifications	Received <input type="checkbox"/>	
	20.	<u>Construction Contract Documents– Plans and Specifications</u> <i>**Contract pricing shall be based on final plans as approved by the County</i>	Received <input type="checkbox"/>	
	21.	Subdivision Approval	Received <input type="checkbox"/>	
	22.	Evidence of Access to Public Roads	Received <input type="checkbox"/>	
	23.	Easements for Utilities and Authorities	Received <input type="checkbox"/>	
	24.	Evidence of Water Availability	Received <input type="checkbox"/>	
	25.	Finding of No Significant Impact	Received <input type="checkbox"/>	
	26.	Environmental Questionnaire	Received <input type="checkbox"/>	
	27.	Phase I Environmental Site Assessment	Received <input type="checkbox"/>	
	28.	Market Study	Received <input type="checkbox"/>	
	SECTION 4. FINANCE & CONTRACTS	29.	Approval from the Disability and Communication Access Board (DCAB)	Received <input type="checkbox"/>
30.		Evidence of all necessary zoning, or exemptions or variances thereto, to complete the project as proposed (201H approval, permits)	Received <input type="checkbox"/>	
31.		Project Budget – 2 copies	Received <input type="checkbox"/>	
32.		Project Sources and Uses – 2 copies	Received <input type="checkbox"/>	
33.		Operating Budget	Received <input type="checkbox"/>	
34.		Construction Cash Flow Forecast – 2 copies	Received <input type="checkbox"/>	
35.		Evidence of all sources of construction and permanent financing to develop the project (commitment letters from all sources of financing)	Received <input type="checkbox"/>	
36.		Borrowing and Signing Resolution (original) (Award Recipient and constituent entities)	Received <input type="checkbox"/>	
37.		Copies of Loan Agreements with other financing sources	Received <input type="checkbox"/>	
38.		Architect Contract – 2 copies	Received <input type="checkbox"/>	
39.		Engineer Contract – 2 copies	Received <input type="checkbox"/>	
40.		Construction Contract and Amendments – 2 copies	Received <input type="checkbox"/>	
41.	Major Subcontracts or Material Supply Contracts (in excess of \$250,000)	Received <input type="checkbox"/>		
42.	List of Subcontractors and Materialmen	Received <input type="checkbox"/>		

EXHIBIT 1**EXHIBIT C**

SECTION 5. INSURANCE, FEES, & OTHERS	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)	Received <input type="checkbox"/>	
	44.	Liability Insurance Policy (naming as additional insured, the (i) State of Hawaii and (ii) Hawaii Housing Finance and Development Corporation)	Received <input type="checkbox"/>	
	45.	100% Performance and 100% Payment Bond (surety company acceptable to HHFDC)	Received <input type="checkbox"/>	
	46.	Attorney's Opinion Letter (original)	Received <input type="checkbox"/>	

III. DOCUMENTS REQUIRED FOR LOAN CLOSING

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

IV. OTHER REQUIREMENTS AT LOAN CLOSING

1.	Origination Fee to HHFDC (0.5% of loan amount)	Received <input type="checkbox"/>	
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V. REQUIREMENTS UPON CONSTRUCTION COMPLETION

Developer shall provide the following:

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

PROJECT QUARTERLY REPORT



Project Name: _____ **Awardee Name:** _____ **Date of Report:** _____ **Quarter Ending:** _____

Completed Tasks: Summarize the progress and major project tasks completed during the subject quarter.

Design/Permits/Approvals: Provide status on the project's design, construction plans, required reviews/approvals and permits. Please note any substantive changes since award.

Budget/Financial: Provide updates on budget and financial projections since award. Submit "original" at award and "updated" Consolidated Application financial exhibits A, B, C, D, E where applicable. Please highlight changes and provide explanation for deltas. Please note that substantive changes require approval of HHFDC and may require Board action to formalize.

Financial Closing: Provide status on financing approvals and loan closing. List any pertinent items that are outstanding for bond issuance and financial closing. Attached closing checklist where applicable.

Construction: Provide status on the construction process (bid, contracting, construction). List all notable changes to Project including design, amenities, schedule/milestones, budget, work scope. Attach updated Consolidated Application financial exhibits B5 and B6 where applicable. Identify buildings that were completed during the quarter and attach documentation (notice of completion, certificate of occupancy, etc.). Attach construction progress images, if available.

Milestones/Schedule: Provide updates to milestones and completion dates. Attach development schedule with timeline indicating the remaining tasks for Project completion.

	Original Projected Completion*	Current Estimated Completion	Actual Completion
Civil & Landscape Construction Documents			
Building Construction Documents			
Civil & Landscape Plans (review/approval)			
Building Plans (review/approval)			
DCAB Approval			
Grading Permit			
Building Permit			
Construction Bid/Contract			
Financial Closing			
10% Eligible Basis Certification**			
Construction Start - First Building			
Construction Start - Last Building			
Construction Completion - First Building			
Construction Completion - Last Building			
Certificate of Occupancy/Placed in Service***			
Achievement of 100% Occupancy****			
95% Stabilized Occupancy*****			
8009 Issuance			

* As indicated in the Consolidated Application at award
 ** For 9% LMI/E projects only
 *** Please attach notices of completion and/or certificates of occupancy received for this quarter
 **** Date at which project shall have leased 100% of the units in the project at least once
 ***** Date at which project shall have 95% of the project occupied for 90 consecutive days

EXHIBIT 2

EXHIBIT C