

FOR ACTION

I. REQUEST

Approve a Dwelling Unit Revolving Fund Budget for Predevelopment Costs and an Interim Loan for the Front Street Apartments Redevelopment Project Located in Lahaina, Maui, TMK No.: (2) 4-5-003: 013

II. FACTS

- A. The Hawaii Housing Finance and Development Corporation (HHFDC) owns the 8.538-acre parcel of land at 1056 Front Street located in Lahaina, Maui, Hawaii, Tax Map Key (TMK) No. (2) 4-5-003:013 (Property). The Property is bounded by Wainee Street to the east, privately owned parcels to the south, Front Street to the west, and Kenui Street to the north. See attached **Exhibit A**, Location Map.
- B. The Property was previously leased by Front Street Affordable Housing Partners and was occupied by the former 142-unit Front Street Apartments project (Previous Project), which was destroyed by the August 8, 2023 Lahaina wildfire (2023 Wildfire).
- C. After the 2023 Wildfire, HHFDC and Front Street Affordable Housing Partners entered into a Mutual Cancellation and Termination of Lease and a Release of Regulatory Agreements.
- D. The Property is now free and clear of the ground lease and restrictive covenants, giving HHFDC control over its redevelopment.
- E. The Lahaina Surf apartments project (Lahaina Surf) located immediately adjacent to the Property was also severely damaged by the 2023 Wildfire and will require redevelopment. Lahaina Surf was owned and managed by Hale Mahaolu.
- F. On April 11, 2024, the HHFDC Board of Directors authorized the Executive Director to acquire certain parcels immediately adjacent to the Property as well as enter into exclusive negotiations with Hale Mahaolu for the purposes of constructing, rehabilitating, operating, and maintaining an affordable and workforce housing project on the Property.

III. DISCUSSION

- A. Following the April 11, 2024 approval, HHFDC has been working with Hale Mahaolu to advance the redevelopment of the Property. Hale Mahaolu is working with its team to prepare preliminary project plans and conduct a community meeting pursuant to §15-307-25, Hawaii Administrative Rules (HAR).
- B. Property Redevelopment Timing
 1. As HHFDC and Hale Mahaolu diligently work to negotiate the terms of the redevelopment of the Property, both parties recognize that time is of the essence to advance the redevelopment.
 2. The 2023 Wildfire caused more than 4,100 homes in West Maui to be destroyed or rendered uninhabitable. While construction of some temporary

housing is being provided, new permanent housing is needed to meet the needs of the West Maui community.

3. The redevelopment of the Property is expected to be one of the first redeveloped multi-family projects providing permanent replacement housing units in Lahaina since the 2023 Wildfire.¹
4. Next month HHFDC anticipates returning to the HHFDC Board of Directors for approval to certify the Hale Mahaolu as an eligible developer pursuant to Chapter 15-307, HAR, and to request various authorizations for the Project, such as authorization to execute a development agreement.

C. Dwelling Unit Revolving Fund (DURF) Budget

1. This For Action requests approval of a DURF budget of up to five million five hundred thousand dollars (\$5,500,000) to fund project costs. This budget may be used to issue an interim predevelopment loan to the Eligible Developer of the redevelopment. HHFDC may also procure services directly to support the redevelopment of the Property.
2. DURF Loan
 - a. Loan Amount: Up to \$5.5 million, less any amounts previously expended from the budget by HHFDC
 - b. Borrower: The entity redeveloping the Property
 - c. Interest rate: 5% compounded annually
 - d. Loan fee: 1 point
 - e. Loan Term: To be determined by the Executive Director
 - f. Security: Leasehold interest, irrevocable letter of credit, and/or other security and/or instruments acceptable to HHFDC pursuant to Section 201H-43, Hawaii Revised Statutes; non-recourse loan
3. Special Conditions
 - a. The Developer's overhead, project management, and developer's fee shall not be paid from the DURF loan;
 - b. All plans, approvals, and work products shall be assigned to HHFDC upon termination of the loan due to unfeasibility; and
 - c. The DURF loan may be forgiven if the redevelopment is determined to be unfeasible due to factors beyond the control of the Developer as determined by either the Developer ^{and} HHFDC.
4. As of December 31, 2024, the balance of net available DURF funds is approximately \$91,389,851.

¹ The Kaiaulu O Kupuohi project was also destroyed in the 2023 Wildfire and is currently in the process of being rebuilt.

- D. HHFDC finds that providing a DURF loan is prudent to ensure the timely redevelopment of the Property.
- E. HHFDC expects to request the Board of Directors approval of Hale Mahaolu as the eligible developer for the redevelopment of the Property at its next Board meeting. The DURF budget is expected to be used to provide an interim predevelopment loan to Hale Mahaolu, or any other eligible developer certified by the Board, to further advance the redevelopment of the Property, subject to the approval of the release of funds by the Governor.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for the redevelopment of the Property, substantially as described in this For Action:

- A. A DURF budget of up to five million five hundred thousand dollars (\$5,500,000) for predevelopment costs and/or an interim predevelopment loan; and
- B. Authorize HHFDC’s Executive Director to take all actions necessary to effectuate the purposes of this For Action.

Subject to the following:

- C. Availability of DURF funds;
- D. Approval of the release of DURF funds by the Governor;
- E. Approval as to form of applicable documents by the Department of the Attorney General and execution by the Executive Director;
- F. Compliance with all applicable laws, rules, and regulations, and such other terms and conditions as may be required by the Executive Director.

Attachments: Exhibit A – Location Map

Prepared by: Carson Schultz, Project Manager CJS
 Reviewed by: Albert Palmer, Development Section Chief AP
 Randy Chu, Development Branch Chief RC

Approved by the Board of Directors as

Circulated Amended

On January 9, 2025, *as noted on pg 3*

Development Branch

Please take necessary action.

Albert Palmer

Executive Director

Location Map

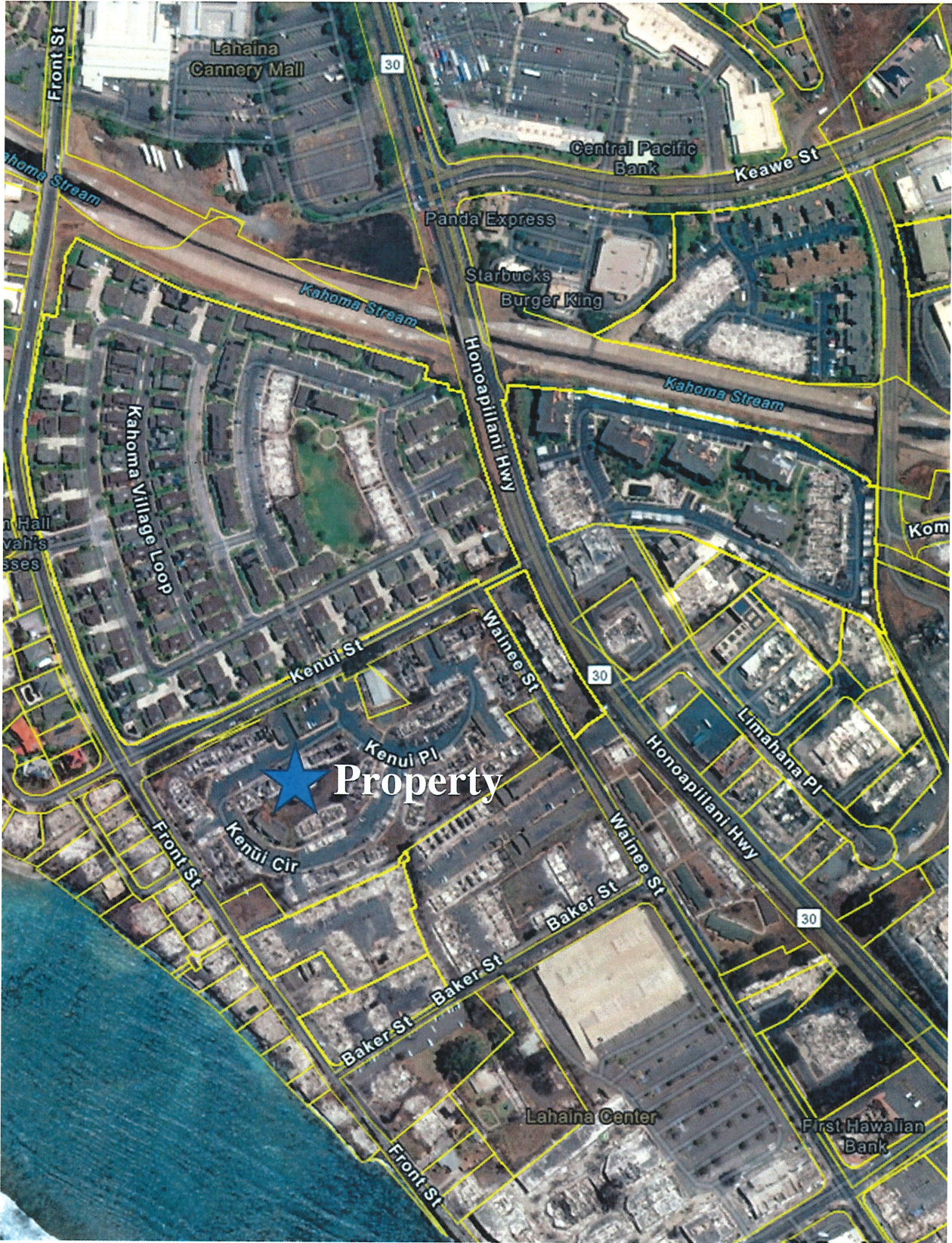


EXHIBIT A