

FOR ACTION

I. REQUEST

Approve an Amended Rental Housing Revolving Fund Project Award and Financing Structure for the Kaleimao Village Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-122: 004

II. FACTS

<i>Project Name:</i>	Kaleimao Village		
<i>Awardee:</i>	Komohale West Loch Venture LP		
<i>Tax Map Key and Location:</i>	TMK No.: (1) 9-1-122: 004 91-1400 Renton Road Ewa Beach, HI 96706		
<i>Land Tenure:</i>	Leasehold Fee Owner: City and County of Honolulu		
<i>Project Type:</i>	New Building		
<i>Target Population:</i>	Family		
<i>Length of Affordability:</i>	61 Years		
<i>Affordability Restrictions:</i>	7 Units @ 30% Area Median Gross Income (AMGI) 119 Units @ 60% AMGI 1 Manager Unit 127 Total Units		
<i>Projected Unit and Rent Mix:</i>	Units	Unit Type	Monthly Rent*
	2	1-Bedroom	\$680
	25	1-Bedroom	\$1,463
	4	2-Bedroom	\$794
	83	2-Bedroom	\$1,734
	1	3-Bedroom	\$893
	11	3-Bedroom	\$1,979
	1	Manager Unit	N/A
	<i>*Rents are based on 2024 HUD guidelines and net of utility allowance</i>		
<i>Estimated Completion:</i>	First Building (One Building) – June 2026 Project Completion (Last Building) – November 2026		
<i>Type of Construction:</i>	New Construction Type V-B		

<i>Amenities and Services:</i>	Project amenities: playground/tot lot, picnic area, community meeting room, laundry room, computer with high-speed internet access, community garden Unit amenities: range, refrigerator, air conditioning, carpet, window coverings
<i>Floor Area:</i>	85,341 sq. ft. Residential Area <u>19,072 sq. ft. Common Area</u> 104,413 sq. ft. Total
<i>Developer:</i>	Komohale West Loch Venture LP Contact: Stanford Carr 1100 Alakea Street, 27 th Floor, Honolulu, HI 96813 (808) 537-5220
<i>Contractor:</i>	Coastal Construction Contact: Ken Sakurai 1900 Hau Street, Honolulu, HI 96819 (808) 847-3277
<i>Property Manager:</i>	Hawaii Affordable Properties, Inc. Contact: Randeatte McEnroe 1050 Queen Street, Suite 204, Honolulu, HI 96814 (808) 589-1845

- 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: RHRF was formerly known as the Rental Housing Trust Fund pursuant to Act 237, SLH 2015, effective July 14, 2015).
- B. On November 9, 2023, the Hawaii Housing Finance and Development Corporation (HHFDC) Board of Directors approved the following for the benefit of Project.
1. \$30,376,937 in intended tax-exempt issuance from the City and County of Honolulu;
 2. \$2,897,093 in annual Federal Low-Income Housing Tax Credits (LIHTC) over a 10-year period and \$2,897,093 in annual State LIHTC over a 5-year period from the non-volume pool (4% LIHTC); and
 3. \$14,600,000 as an RHRF loan. For Action attached as **Exhibit A**.
- C. On December 19, 2024, HHFDC received a memorandum from Awardee requesting that \$14,600,000 of RHRF proceeds be utilized as collateral against the \$30,376,937 senior construction loan. This RHRF amount will be deposited into an RHRF Bond Related Fund at closing to facilitate this process. Request Memorandum is attached as **Exhibit B**.

III. DISCUSSION

- A. The Project is a proposed 127-unit affordable new construction targeted for families with incomes at thirty (30) percent or below sixty (60) percent of the AMGI. The Project consists of seven (7) three-story residential buildings and one (1) community center. The residential buildings will contain one-bedroom to three-bedroom units. The Project includes amenities to improve the quality of life for tenants, including a community garden and community center. See **Exhibit C** for the Project Location, Plans & Images.
- B. The Awardee is a single-asset, real estate holding company, specifically established to develop, own, and operate the Project. The General Partner of the Partnership is Komohale West Loch Manager LLC. The Limited Partners in this transaction will be the LIHTC syndicator Hudson Housing Capital, and the State tax credit investor Monarch Private Capital.
- C. The updated Financing Structure (Source of Funds) is as follows:

Source	Interim	Permanent
LIHTC Equity	\$ 17,407,061	\$ 31,476,389
Private Activity Bonds* (City and County of Honolulu)	30,376,937	-
Senior Debt – PNC Bank	-	16,307,609
RHRF	14,600,000	14,600,000
Total	\$ 62,383,998	\$ 62,383,998

**Subject to rate lock of the Senior HUD 221(d)(4) loan.*

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

Budget/Cost Item	Amount	Per Square Foot	%
Land Acquisition	\$ 0	\$ 0.00	0.00
Construction – Sitework	5,641,417	54.90	9.04
Construction – Vertical	29,447,152	286.54	47.20
Construction – Contractor Profit	4,203,265	40.90	6.74
Interim & Soft Costs	6,346,120	61.75	10.17
Financing & Syndication Costs	5,769,542	56.14	9.25
Developer’s Fee	3,837,103	37.34	6.15
Developer’s Overhead	1,012,897	9.86	1.62
Project Reserves	3,585,009	34.88	5.75
Contingency	2,541,493	24.73	4.07
Total	\$ 62,383,998	\$ 607.04	100.00

- E. The Project will utilize a cash-collateralized bond structure to be made available through a public offering rather than private placement.
1. As a publicly financed deal, the bonds will be rated prior to Closing in February 2025 and will be sold on the open market by RBC Capital Markets LLC, the Underwriter.
2. U.S. Bank Global Corporate Trust will act as Bond Trustee.

- a. The \$30,376,937 in tax-exempt bond proceeds will be drawn in full at the time of closing and be placed in a Bond Proceeds account with the Bond Trustee.
 - b. The full amount of the HUD 221(d)(4) insured senior loan (roughly \$15,700,000) and up to \$14,600,000 of the RHRF funds will be deposited into individual bond related accounts with the Bond Trustee, creating the cash collateral for the bonds.
 - c. Up to \$14,600,000 of RHRF funds will be deposited into the RHRF Holding Account with the Bond Trustee to gap the difference between the bonds amount and the HUD 221(d)(4) senior loan amount.
3. Fund will be issued from these accounts by the Bond Trustee, with all required approvals, on a draw-down basis.
 - a. Upon the approval of a draw, the funds will be moved from the RHRF Holding Account to Collateral Fund and then be used to purchase securities from the bond proceeds account to generate income from interest or dividends, which should reduce negative arbitrage and reduce project costs.
 - b. Draw amount is then repaid from the RHRF Holding Account to the RHRF collateral account and used to pay construction expenses.
 4. Within this model, the RHRF monies shall be used to repay the bonds instead of direct construction costs.
 - a. The purchasing of securities to repay the bonds enhances the security of the bonds, generates income, manages liquidity, and meets regulatory and contractual requirements.
 5. The Project's financial structure originally contemplated utilizing a dedicated Bridge Loan for the collateral gap. However, the costs of these alternatives were not feasible for the Project.
 6. This use of RHRF is consistent with Act 235, SLH 2024, which amends HRS 201H clarifying its permitted use for "credit enhancement" and "gap financing".

F. The Project's estimated construction timeline is as follows:

- | | | |
|----|-------------------------------------|---------|
| 1. | Grading/Building Permits: | 2025-Q1 |
| 2. | Loan Closing: | 2025-Q2 |
| 3. | Construction Start Date: | 2025-Q2 |
| 4. | First Building Completion: | 2026-Q2 |
| 5. | Project Completion (Last Building): | 2026-Q4 |
| 6. | Certificate of Occupancy: | 2027-Q1 |
| 7. | Stabilized Occupancy: | 2027-Q1 |

G. The Project is working with the Department of Permit and Planning (DPP) to receive its Building Permits. In November 2024, the DPP approved the Street Tree Planting Plan, allowing the Civil Plans to be re-submitted to the Subdivision Branch of DPP (Subdivision Branch). Upon re-submittal, the Subdivision Branch had one comment regarding a water easement; the comment was addressed in coordination

with Honolulu's Department of Land Management and Board of Water Supply (BWS). The Awardee is now awaiting BWS email confirmation to close out this comment. As of February 28, 2025, Awardee has its Grading Permit and is awaiting the issuance of the Building Permit.

- H. Bond and closing coordination calls are ongoing.
- I. The Project has approvals from the respective financing parties and is scheduled to close in April 2025.
- J. Staff has reviewed the request and proposes the following amended terms to the RHRF Project Award:
 - 1. The amount of RHRF pledged as collateral be deposited directly to the RHRF Holding Account at closing. Funds in the Holding Account will be transferred by the Bond Trustee to the bond collateral account as funds are drawn from the collateral account to pay for project costs.
 - 2. Any interest accrued from deposits in the RHRF Holding Account through the conversion date shall be applied towards the outstanding principal balance due on the conversion date. Awardee will provide the HHFDC Finance Branch with Holding Account statement on or before the first day of each month through the conversion date.
 - 3. Borrower will pay a 2.00% conversion fee on the principal amount of RHRF pledged to the RHRF Holding Account following closure of the HUD Loan. This is to be repaid separately towards the RHRF principal balance on the conversion date.
 - 4. All other terms and conditions contained in the RHRF Project Award For Action, Dated November 9, 2023, and the signed RHRF Project Award Letter, dated December 7, 2023, shall remain in full force and effect.

[Recommendation Follows]

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following:

- A. Amend RHRF Project Award loan of \$14,600,000 to Komohale West Loch Venture LP, for the benefit of the Kaleimao Village project, as detailed in Section III.J. of this For Action, subject to the following:
1. Subject to the terms and conditions contained in the For Action, dated November 9, 2023.
 2. Subject to the terms and conditions contained in the RHRF Project Award Letter, dated December 7, 2023 as shown in **Exhibit D**.
 3. Execution of documentation satisfactory to the HHFDC outlining the amended terms and conditions of the Project Award as detailed in Section III.J. of this For Action. The documents shall specify the additional terms and conditions 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.
 4. 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 – For Action RHRF Project Award, dated November 9, 2023 (excluding previous Exhibits)
- Exhibit B – Request Memorandum, dated December 19, 2024
- Exhibit C – Project Location, Plans & Images
- Exhibit D – RHRF Award Letter, dated December 7, 2023 (excluding previous Exhibits)

Prepared by: Jimmy Nguyen, Finance Specialist

Reviewed by: David Oi, Finance Manager

JN



Approved by the Board of Directors as

☒ Circulated

☐ Amended


On March 13, 2025

Finance Branch

Please take necessary action.

Don C. Nelson

Executive Director

Reviewed and Approved by the Interim Executive Director: 
November 9, 2023

FOR ACTION

I. REQUEST

Approve a Rental Housing Revolving Fund Project Award for the Kaleimao Village Project Located in Ewa Beach, Oahu, TMK No.: (1) 9-1-122:004

II. FACTS

Project Name:	Kaleimao Village		
Applicant:	Komohale West Loch Venture LP		
Tax Map Key and Location:	TMK No.: (1) 9-1-122:004 91-1666 Fort Weaver Road at the Intersection of Renton Road Ewa Beach, HI 96706		
Land Tenure:	Leasehold Fee Owner: City and County of Honolulu		
Project Type:	New Building		
Target Population:	Family		
Length of Affordability:	61 Years		
Affordability Restrictions:	7 Units @ 30% Area Median Gross Income (AMGI) 119 Units @ 60% AMGI 1 Manager Unit 127 Total Units		
Projected Unit and Rent Mix:	Units	Unit Type	Monthly Rent*
	2	1-Bedroom	\$607
	25	1-Bedroom	\$1,342
	4	2-Bedroom	\$703
	83	2-Bedroom	\$1,585
	1	3-Bedroom	\$787
	11	3-Bedroom	\$1,806
	1	Manager Unit	N/A
*Net of Utility Allowance			
Estimated Completion:	First Building – June 2025 Project Completion (Last Building) – December 2025		
Type of Construction:	New Construction Type V-B		
Amenities and Services:	Project Amenities: playground/tot lot, picnic area, community meeting room, laundry room, computer with high-speed internet access, community garden		
	Unit Amenities: range, refrigerator, air conditioning, carpet, window coverings		
Floor Area:	85,341 SF	Residential Area	
	19,072 SF	Common Area	
	104,413 SF	Total Area	

EXHIBIT A

<i>Developer:</i>	Komohale West Loch Venture LP Contact: Stanford Carr 1100 Alakea Street, 27th Floor, Honolulu, HI 96813 (808) 537-5220
<i>Consultant:</i>	N/A
<i>Contractor:</i>	Hawaiian Dredging Construction Company Contact: Paul Silen 605 Kapiolani Boulevard, Honolulu, HI 96813 (808) 735-3211
<i>Property Manager:</i>	Hawaii Affordable Properties, Inc. Contact: Randeatte McEnroe 1050 Queen Street, Suite 204, Honolulu, HI 96814 (808) 589-1845

- 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, 2023, Komohale West Loch Venture LP (Applicant) submitted a Consolidated Application on behalf of Kaleimao Village (Project) for the Fiscal Year 2023 (FY2023) Funding Round requesting the following program resources:

1. \$30,376,937 tax-exempt issuance from the HMMF Bond Program;

2. \$2,897,093 in annual Federal LIHTC over a 10-year period and \$2,897,093 in annual State LIHTC over a 5-year period from the non-volume pool (4% LIHTC); and

3. \$14,600,000 RHRF loan.
- C. On May 11, 2023, the HHFDC Board of Directors approved the RHRF Final Approved Project List (Approved List) for the FY2023 Funding Round. The Project is one of the twenty-seven (27) projects on the RHRF Approved Project List.
- D. The status of the RHRF Program’s availability of funds as of October 31, 2023 is summarized below:

Net Available Funds (HHFDC)	\$ (242,878,757)
Appropriated Cash Infusion – Act 88, SLH 2021 (for HPHA School Street Redevelopment Project)	40,000,000
Appropriated Cash Infusion – Act 236, SLH 2022 (for RHRF Tier 2)	300,000,000
Appropriated Cash Infusion – Act 248, SLH 2022 (for 820 Isenberg Project)	<u>41,500,000</u>
Total RHRF Funds – HHFDC & Budget & Finance	<u>\$ 138,621,243</u>

- E. For the FY2023 Funding Round, the Hawaii Housing Finance and Development Corporation (HHFDC) has determined that it has sufficient RHRF funding but insufficient private activity bond volume cap to award the applicant for all requested program resources. The City and County of Honolulu intends to award its private bond volume cap in support of the project, contingent upon an RHRF award from the HHFDC, per adoption of a Cooperative Agreement with the State of Hawaii Department of Budget and Finance, the HHFDC, and the City and County of Honolulu.
- F. A separate For Action is also being presented at the November 9, 2023, HHFDC Board Meeting requesting approval of \$2,897,093 in annual Federal 4% LIHTC over a 10-year period and \$2,897,093 in annual State 4% LIHTC over a 5-year period the following for the Project.

III. DISCUSSION

- A. The Project is a proposed 127-unit affordable new construction targeted for families with incomes at thirty (30) percent or below sixty (60) percent of the AMGI. The Project consists of seven (7) three-story residential buildings and one (1) community center. The residential buildings will contain one-bedroom to three-bedroom units. The Project includes amenities to improve the quality of life for tenants, including a community garden and community center. See **Exhibit A** for the Financing Summary/Analysis and **Exhibit B** for the Project 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 Komohale West Loch Manager LLC. The Limited Partner in this transaction is to be determined.
- C. The proposed Financing Structure is as follows:

Source	Interim	Permanent
LIHTC Equity	\$ 15,831,319	\$ 33,313,239
Private Activity Bonds*	30,376,937	–
Senior Debt – PNC Bank	–	12,895,017
RHRF	14,600,000	14,600,000
Total	\$ 60,808,256	\$ 60,808,256

* To be provided by the City and County of Honolulu

- D. The proposed Budget is as follows:

Budget Item	Amount	Cost/sf	Total Cost %
Land Acquisition	\$ –	\$ –	0.00%
Construction	38,098,592	364.88	62.65%
Interim and Soft Costs	5,459,079	52.28	8.98%
Financing and Syndication Costs	7,116,598	68.16	11.70%
Developer Fee	4,850,000	46.45	7.98%
Project Reserves	1,934,499	18.53	3.18%
Contingency	3,349,488	32.08	5.51%
Total	\$ 60,808,256	\$ 582.38	100%

EXHIBIT A

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

2023 - Q4
2. Loan Closing:

2024 - Q2
3. Construction Start:

2024 - Q2
4. Building Completion:

2025 - Q4
5. Certificate of Occupancy:

2025 - Q4
6. Stabilized Occupancy:

2026 - Q1
- F. Applicant’s Request (Loan Terms)
1. Loan Amount:

\$14,600,000
2. Interest Rate:

Years 1-2: 0.00%

After Year 2: 0.40%
3. Origination Fee:

0.5% of Loan Amount
4. Term/Maturity:

2 Years (Interim/Construction Phase)

50 Years (Permanent Phase)

52 Years (Loan Term)
5. Repayment:

Years 1-2: No Payments

After Year 2: 65% of Available Cash Flow after payment of expenses, senior debt service and other recognized expenses.
6. Collateral:

Junior Mortgage on the Project Site
- G. Recommendation (Loan Terms)
1. Loan Amount:

\$14,600,000
2. Interest Rate:

Years 1-2: 0.00%

After Year 2: 0.40%
3. Origination Fee:

0.5% of Loan Amount
4. Term/Maturity:

2 Years (Interim/Construction Phase)

50 Years (Permanent Phase)

52 Years (Loan Term)
5. Repayment:

Years 1-2: No Payments

After Year 2: 70% of Available Cash Flow after payment of expenses, senior debt service and other recognized expenses.
6. Collateral:

Junior Mortgage on the Project Site
7. Other Terms

a) The Project’s Loan-to-Value (LTV) ratio shall not exceed 100% of the RHRF loan and all other debt senior to the RHRF loan.

b) No disbursement of Developer Fee until satisfactory completion of the Project.

c) The RHRF Project Award is subject to the availability of funds.

EXHIBIT A

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following:

- A. RHRF Project Award loan of \$14,600,000 to Komohale West Loch Venture LP, for the benefit of the Kaleimao Village project, with the terms and conditions prescribed in Section III.G. of this For Action and in the RHRF Preliminary Commitment Letter (**Exhibit C**), 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.
 7. The City and County of Honolulu providing its private activity bond volume cap in support of the Project.
- B. Authorize the Interim Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

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

Prepared by: Kan Cheung, Finance Specialist KC

Reviewed by: David Oi, Finance Manager DO

Approved by the Board of Directors as

☒ Circulated ☐ Amended

On November 9, 2023

Finance Branch

Please take necessary action:

[Signature]

Executive Director

For Action – November 9, 2023

Page 5 of 5

EXHIBIT A

Komohale West Loch Venture LP

December 19, 2024

Memorandum to: HHDFDC

From: Amir Boulos, Standard Communities

Re: Kaleima'o Village, Funding and Distribution of Tax-Exempt Bonds and RHRF Proceeds

Tax-exempt bonds in the amount of \$30.3MM will be publicly issued by the City and County of Honolulu for the development of Kaleima'o Village (the "Property"). The bonds will be deposited in an escrow of State and Local Government Securities ("SLGS") at closing and will be required to be cash collateralized until redemption, subsequent to the completion and stabilization of the Property. The borrower, an affiliate of Standard Communities and Stanford Carr Development, is requesting the ability to use the RHRF loan committed to the Property of \$14.6MM to serve as partial bond collateral; part of a FHA loan in the amount of \$15.7MM will fill the remaining "collateral gap". The following details the cash collateral structure and the use of the RHRF proceeds.

As each FHA Lender Advance is wired by the FHA Lender to the Bond Trustee (at closing and monthly thereafter), upon receipt of a Requisition for a Tax-Exempt Bond Proceeds draw in the form attached to the Bond Trust Indenture (a "Bond Proceeds Requisition"), the Trustee will make an accounting entry in that amount moving ownership of that portion of the SLGS portfolio from the Project Fund to the Collateral Fund and will then wire that amount of funds (equal to the triggering FHA Lender Advance) to the FHA Lender/Borrower to pay/reimburse the Project Costs represented by the FHA Lender Advance. Such advances of the bond proceeds will be in the aggregate of \$15.7MM.

As the \$14.6MM of RHRF proceeds are received by the Trustee, they will be deposited in the RHRF Bond Related Fund. The Indenture will state that these monies and investments are not pledged directly or indirectly to the repayment of the Bonds. When received, these proceeds will be invested in a Moody's highest rated taxable money market funds. As further requests for disbursement of Bond Proceeds are made by the Borrower and approved by the City of Honolulu, upon receipt of evidence of such approval by the Bond Trustee and a Bond Proceeds Requisition, the Trustee will make an accounting entry as discussed above and disburse proceeds to the Borrower to cover Project costs. Such advances of the bond proceeds will be in the aggregate of \$14.6MM.

EXHIBIT B

Sincerely.

Amir Boulos

Amir Boulos

(on behalf of Komohale West Loch Venture LP)

cc: Mr. Stanford Carr
Mr. Feras Qumseya
Mr. Greg Goldberg
Mr. Mark Ragsdale
R. Wade Norris, Esq.

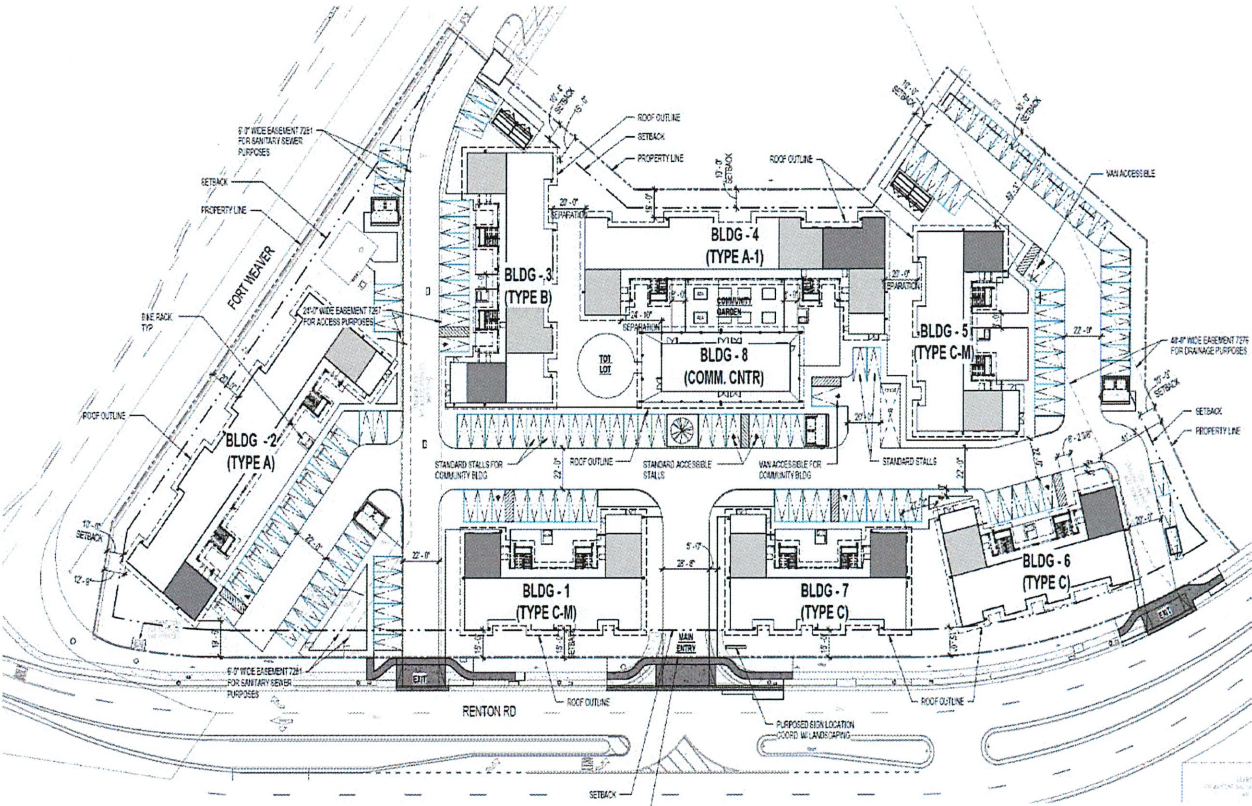
EXHIBIT B

PROJECT LOCATION, PLANS & IMAGES

Kaleimao Village
TMK No.: (1) 9-1-122: 004
91-1666 Renton Road
Ewa Beach, HI 96706



AERIAL VIEW OF SITE



SITE PLAN

EXHIBIT C



EXHIBIT C

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
L.T. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

IN REPLY REFER TO:
23:FIN/1222

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
PHONE: (808) 587-0620
FAX: (808) 587-0600

December 7, 2023

Mr. Stanford S. Carr
Komohale West Loch Venture LP
1100 Alakea Street, 27th Floor
Honolulu, HI 96813

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

Dear Mr. Carr:

Your project has been awarded a Rental Housing Revolving Fund (RHRF) loan in an amount not to exceed \$14,600,000 (the "Loan"), subject to the availability of RHRF fund, the authorization and approval by the Governor of the release of RHRF funds, 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: Komohale West Loch Venture LP
(Borrower)

Guarantor(s): None

Purpose: To provide interim and permanent financing to assist in the development of a 127-unit affordable rental project located in Ewa Beach, Hawaii 96706, TMK No.: (1) 9-1-122:004.

The project will feature 28 one-bedroom units, 87 two-bedroom units, and 12 three-bedroom units. All units shall be set aside for family households with 7 units at or below 30% of the area median gross income (AMGI), 119 units at or below 60% of the AMGI, one unit set aside as a manager's unit. The project will remain affordable for 61 years.

EXHIBIT D

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 2

Loan Amount: Up to \$14,600,000 for interim and permanent financing.

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

Form of Loan: 52-year, junior mortgage loan on the leasehold interest in the project premises, improvements, and chattels.

Interest Rate: 0.00% Years 1 through 2
0.40% After Year 2

Interest will be calculated on a 365-day year.

Origination Fee: 0.5% of loan amount, to be collected at the time of the RHRF loan closing.

Loan Term: 52-Years

Prepayment Penalty: None

Payment Terms: Years 1 through 2 - No Payments

After Year 2 – 70% 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 Award Recipient's leasehold interest in the subject property, together with all improvements to be constructed;
- 2) A security interest in all furniture, fixtures and equipment owned by the Award Recipient and utilized in the normal occupancy and operation of the subject property;
- 3) An assignment of all project-related documents including, but not limited to, development agreements, plans and specifications, construction, architectural, management contracts, and any other studies, approvals and authorizations, and permits; and

EXHIBIT D

- 4) Award Recipient acknowledges that all of Award Recipient's obligations, agreements, and completion of the improvements are the direct obligations of Award Recipient's general partner.

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

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

Transaction Costs: All-out-pocket transaction costs associated with the transaction shall be the sole responsibility of the Award Recipient. It is understood and agreed that the Award Recipient shall be responsible for any and all costs and expenses pertaining to the transaction contemplated herein including, but not limited to, all recording and filing fees, taxes, insurance premiums (including title insurance), inspection fees, surveyors', appraisers' and attorneys' fees. In the event the Loan transaction is not consummated for whatever reason, the Award Recipient will

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 4

remain solely responsible for any and all costs associated
payment of those costs and expenses.

Title Insurance: Upon recordation of the Loan documents, Award Recipient 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 leasehold 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 Award Recipient must 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 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 should be delivered to HHFDC and addressed as follows:

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

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 5

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

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

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

Borrowing and Signing Resolution: The Award Recipient 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 the Loan and perform all obligations thereunder. If the Award Recipient is a partnership, the resolution shall be signed by all of the partnership's general partners and identify the partner(s) authorized to execute all documents. If a corporation, then the resolution shall be authorized by the board of directors and specify the officer(s) authorized to execute all documents.

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

EXHIBIT D

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

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

Financial Statements: During the term of the Loan, the Award Recipient 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 Award Recipient on an annual basis within 90 days of year-end, and partnership tax returns annually when filed.

Independent Consultant: HHFDC shall have the right to employ, at the Award Recipient's expense, an independent consultant such as an engineer, architect or construction manager, to review and monitor on behalf of 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 budget and as to the adequacy of the construction schedule. The consultant shall also visit the subject property periodically to review whether the construction is proceeding in accordance with the plans and specifications and construction schedule, to estimate the nature and amount of construction in place and to verify the amount of payment which the contractor is entitled to receive in accordance with the project budget and to verify that materials are stored onsite.

Inspections: The Award Recipient shall permit 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 Award Recipient's expense.

Appraisal: Prior to the closing of the Loan, HHFDC must receive an HHFDC-ordered appraisal report (at the Award Recipient's

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 7

expense) of the leasehold interest in the subject property. The appraisal shall be subject to the satisfactory review of HHFDC.

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

Financing Commitments: The Award Recipient shall provide to 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) Low Income Housing Tax Credit (LIHTC) Equity for no less than \$15,831,319; and
- 2) Private Activity Bond Financing for no less than \$30,376,937

Binding permanent financing commitments for:

- 1) Low Income Housing Tax Credit (LIHTC) Equity for no less than \$33,313,239; and
- 2) Senior Debt for no less than \$12,895,017

Closing and funding of the RHRF Project Award is contingent upon the Award Recipient securing and evidencing sufficient

EXHIBIT D

financing sources to meet the Projects 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 Award Recipient 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 Award Recipient may have to obtain an environmental examination or audit, at its expense, to be made of the property, by an environmental engineer acceptable to 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 Award Recipient, 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 Award Recipient 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 Award Recipient 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 Award Recipient 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 incurring any liability to the Award Recipient.

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 10

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 Award Recipient 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 Award Recipient;
- 6) A detailed budget of the overall cost of construction of improvements and proposed work, including construction costs, building equipment costs, other on-site and off-site improvement costs, costs of furnishing and fixtures, financing costs, legal expenses, design fees, appraisal costs, and all other related costs directly attributable to the improvements or proposed work;
- 7) A detailed cash-flow schedule of Borrower's sources-and-uses of funds, evidencing to HHFDC satisfaction that all of the improvements and proposed work can be completed in a timely manner with proceeds from the Loan and other funding sources, and that there are sufficient proceeds to adequately make all payments when due on the Loan and all other construction costs, carrying charges and all other costs shown on the budget referred to above setting forth a schedule of disbursement of proceeds and payment of the costs shown on said budget;

EXHIBIT D

- 8) Letters from the Award Recipient'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) 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 Award Recipient; and
- 10) Such other items as may be described in the Loan Agreement referred to above.

Other Terms:

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

- 1) The receipt and approval by HHFDC of the project's final construction drawings and specifications showing all revisions;
- 2) Receipt and staff's satisfactory review and approval of the Uniform Standards of Professional Appraisal Practice (USPAP) appraisal (ordered by HHFDC, paid by Award Recipient);
- 3) Final plans and specifications being reviewed by the State's Disabilities and Communication Access Board (DCAB) and 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, if necessary, independent experts;

EXHIBIT D

- 6) Award Recipient must obtain all necessary loans, grants, and leases from the applicable entities in order to fulfill the purpose of this Loan;
- 7) Receipt by HHFDC of evidence satisfactory to HHFDC that the sources of permanent financing are sufficient;
- 8) Delivery and execution by the Award Recipient, and HHFDC approval, of the items enumerated on the checklist prior to closing and funding of the Loan (Exhibit 1).
- 9) The Award Recipient consulting with 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;
- 11) Applicant must evidence debt service coverage satisfactory to HHFDC based on the financing sources needed to meet the Project's total development costs;
- 12) The Project's total loan to value ratio shall not exceed 100%;
- 13) Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project Management Fees, for the project shall not exceed \$4,850,000;
- 14) No disbursement of Developer's Fee until satisfactory completion of the Project and Project has converted from Interim to Permanent Loan financing;
- 15) The RHRF Project Award is subject to the availability of funds and authorization and approval of the release of RHRF by the Governor; and
- 16) Other terms and conditions to be mutually acceptable to all parties involved with the transaction.

Loan Closing: The loan is to be closed and recorded no later than 12 months from the 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 discretion.

Commitment Fee: None

Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 13

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 Award Recipient agree to work in good faith to complete all the necessary documentation satisfactory to all parties.

(Remainder of Page Intentionally Left Blank – Signature Page Follows)

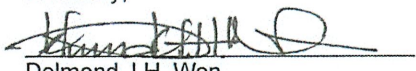
Mr. Stanford S. Carr
Kaleimao Village
December 7, 2023
Page 14

The Award Recipient shall indemnify, defend, and hold harmless the State of Hawaii, HHFDC, its directors, officers, employees, agents, and their 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 financing and development of the project including, but not limited to project financing commitments, the construction of the project and any of the improvements, leasing of the project and/or use, occupation or operation of any of the project and property to be encumbered by the mortgage.

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


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

Sincerely,



Delmond J.H. Won
Executive Assistant

ACKNOWLEDGED AND ACCEPTED:

Komohale West Loch Venture LP

By: 
Name: Bradley C. Martinson
Its: Authorized Representative

Date: 1/3/2024

By: 
Name: Stanford S. Carr
Its: Authorized Representative

Date: 1/8/2024