

QAP Best Practices

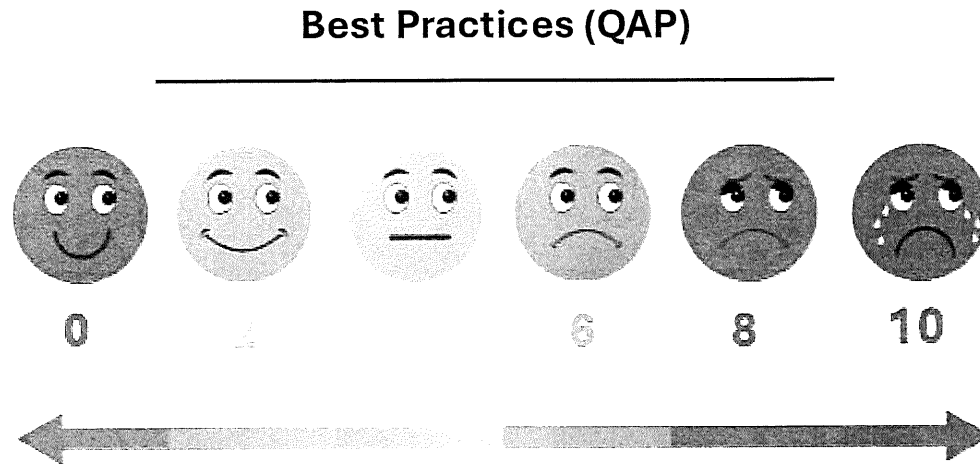


December 2025

ikaika 'ohana

BLIEU

Best Practices



Best Practices

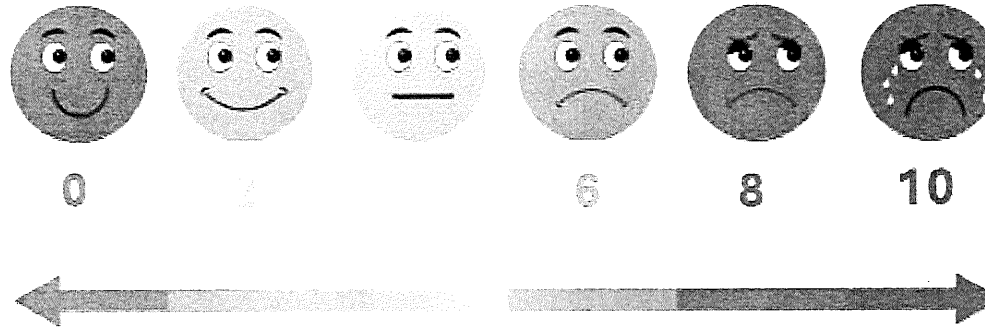
- High Transparency
 1. Scoring released to public
 2. Appeals process
- No/Low Discretion
 1. No discretion but if any, it is justified in QAP
 2. Bound by points and ranking
- Low cost to meet stated priorities prior to award

Hawaii

- Low transparency (75% of states are more transparent)
 1. **No** scoring released to public
 2. **No** appeals process
- High Discretion (90% of states have less discretion)
 1. Broad/full discretion language in QAP
 2. **ED can override** ranking/not bound by points
 3. Many states have #1, but not #2, Hawaii has both
- High cost to meet QAP's stated priorities before award

Best Practices

Best Practices (QAP)



Consequences (Best Practices)

- Strengthens public confidence
- Many internal and external safeguards
- Low risk of favoritism, abuse, unlawful action, and litigation
- Outcome is in control of many
- Low risk of legal challenge
- High moral and reduced turnover of employees
- Highly innovative
- Encourages participation
- High incentive to improve the process because it is scrutinized
- Lower flexibility

Consequences (Hawaii)

- Weakens public confidence
- Few or no internal and external safeguards
- High risk of abuse, unlawful action, and litigation
- Outcome is in control of one
- High risk of legal challenge
- Low moral increased turnover of employees
- Low or no innovation
- Discourages participation
- Low incentive to improve process because it is not scrutinized
- Higher flexibility

Kapiolani Comparison

2025 NEW CONSTRUCTION 4% LIHTC & HMMF APPLICANTS BY VARIOUS COSTS

Project	Total Units	Total Sq Ft	Total Bedrooms ¹	Total Dev Cost	Cost/ Unit	Percentile	Cost / Sq Ft	Percentile	Cost / Bedroom	Percentile
1142 Kinau	206	208,127	317.0	\$ 131,372,714	\$ 637,732	20.18%	\$ 631.21	16.13%	\$ 414,425	46.90%
Aikanaha Residences	212	165,826	307.0	\$ 125,267,811	\$ 590,886	12.43%	\$ 755.42	55.45%	\$ 408,038	44.71%
Hale O Lipoa	153	151,500	240.0	\$ 131,671,789	\$ 860,600	75.22%	\$ 869.12	87.87%	\$ 548,632	85.99%
Ho`onanea - Phase I at Ho`opili Gateway	192	211,980	378.0	\$ 113,782,330	\$ 592,616	12.67%	\$ 536.76	3.25%	\$ 301,011	14.55%
Honua'ula Living Community	105	132,374	307.0	\$ 81,050,397	\$ 771,909	53.10%	\$ 612.28	12.28%	\$ 264,008	8.45%
Ho'ola at Palamanui	40	56,944	136.0	\$ 38,929,034	\$ 973,226	92.61%	\$ 683.64	30.37%	\$ 286,243	11.83%
Ho'omalua at Waikoloa	229	219,477	458.0	\$ 142,340,819	\$ 621,576	17.23%	\$ 648.55	20.27%	\$ 310,788	16.56%
Kaahumanu Homes Phase 1	321	312,670	478.5	\$ 235,488,132	\$ 733,608	42.75%	\$ 753.15	54.64%	\$ 492,138	72.32%
Kaiaulu O Kapiolani	64	81,692	171.0	\$ 73,000,000	\$ 1,140,625	99.52%	\$ 893.60	91.78%	\$ 426,901	51.19%
Kamō'ili'ili Apartments	180	184,314	262.5	\$ 145,347,344	\$ 807,485	62.55%	\$ 788.59	66.93%	\$ 553,704	86.94%
Lai Opua V4 Hema RP	30	46,260	110.0	\$ 28,787,021	\$ 959,567	91.22%	\$ 622.29	14.23%	\$ 261,700	8.15%
Lanakila Homes Phase 1	152	159,969	276.0	\$ 121,834,188	\$ 801,541	61.00%	\$ 761.61	57.66%	\$ 441,428	56.16%
Leiwili Kapolei Building B	172	182,060	337.0	\$ 142,459,081	\$ 828,250	67.77%	\$ 782.48	64.90%	\$ 422,727	49.75%
Leiwili Kapolei Building C	172	182,060	337.0	\$ 142,459,081	\$ 828,250	67.77%	\$ 782.48	64.90%	\$ 422,727	49.75%
Leiwili Kapolei Buildings B & C	344	364,120	674.0	\$ 248,515,826	\$ 722,430	39.79%	\$ 682.51	30.01%	\$ 368,718	31.84%
Mayor Wright Homes Phase 1A	308	340,313	486.0	\$ 259,898,995	\$ 843,828	71.47%	\$ 763.71	58.41%	\$ 534,772	83.15%
Melia	247	214,511	391.5	\$ 146,941,580	\$ 594,905	13.00%	\$ 685.01	30.80%	\$ 375,330	33.91%
Naio at Palamanui	92	79,173	140.0	\$ 59,651,809	\$ 648,389	22.28%	\$ 753.44	54.74%	\$ 426,084	50.91%
Pohukaina Commons Phase II	194	175,581	218.5	\$ 149,434,296	\$ 770,280	52.66%	\$ 851.08	84.25%	\$ 683,910	98.77%
Pua Lane Family Affordable - 4%	63	38,347	63.0	\$ 39,026,562	\$ 619,469	16.87%	\$ 1,017.72	99.41%	\$ 619,469	95.45%
The Hoku	180	166,912	340.0	\$ 112,104,966	\$ 622,805	17.44%	\$ 671.64	26.68%	\$ 329,720	20.94%
Mean	174.1	174,962	306.1	\$ 127,112,561	\$ 760,475		\$ 740.30		\$ 423,451	
Std Dev	88.2	88,898	145.5	\$ 63,765,390	\$ 146,965		\$ 110.27		\$ 115,945	

YELLOW HIGHLIGHT: Indicates Awarded Project as of 12/01/2025

Kaiāulu O Kapi'olani

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Kapiolani Approval Process...

Subject: Re: Kaiāulu O Kapi'olani
Date: Tuesday, December 9, 2025 at 7:11:15 AM Hawaii-Aleutian Standard Time
From: Minakami, Dean
To: Douglas R. Bigley, Dave Bigley, Thomas Fischer, Glenn, Scott J, Mig Saenz, Grant Bigley, Apperson, Lindsay M, Whitney, Tami S
CC: Gary Mackler, Nakamura, Jay Y, Doyle, Michael E
Attachments: 2025 4% New Construction - Cost Per Bedroom Analysis.pdf

Doug,

Please know that we are not targeting Ikaika Ohana in any way and we did not take the decision to not award Kaiāulu o Kapiolani lightly. As you are aware, much effort has been put into amending the QAP in recent years to balance project readiness, cost, and other factors. We give much respect to the QAP in determining which projects are awarded financing.

One notable difference between Hawaii and California is that Hawaii provides significant gap financing for projects from the Rental Housing Revolving Fund. The legislature has appropriated considerable funding to HHFDC in recent years with the expectation that we will good stewards and award funds judiciously. While Kapiolani did rank well in terms of the QAP, it did not rank well in terms of the amount of RHRF funding requested. It is because of Kapiolani's high cost and large amount of RHRF funding required that we are declining to award the project this year. If you can reduce the project's cost, or find other sources of funding to reduce the amount of RHRF required, we can consider Kapiolani for an award in the future.

Although cost per bedroom is not a criterion in the QAP and therefore has no bearing on project scoring, we did prepare an analysis looking at how Kapiolani scores on a cost per bedroom basis. Our analysis, which is attached, shows that even under this analysis Kapiolani's cost is higher than average.

Ikaika Ohana has been a good partner to HHFDC and has delivered fantastic projects. Your thoughts on the QAP criteria are acknowledged and perhaps they can be incorporated in the next iteration of the QAP. I encourage you to relook at your plan for Kapiolani so that there can be a path to move the project forward.

Mahalo,
Dean

Kaiāulu O Kapi'olani

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Case study: Good Stewardship?

1. Defining Good Stewardship

Is stewardship demonstrated by the amount of effort expended,
or by maintaining **fidelity to the mission**?

2. Perception vs. Fairness

Feeling "targeted" may occur, but the real question is:
Is the process equitable?

3. Respect and Discretion

Can we meaningfully respect the QAP while still exercising **broad discretion**? No.

4. Evaluating Stewardship at HHFDC

Stewardship should be evaluated not by strict adherence to metrics, but by alignment with the **mission**.

5. Clarifying the Mission

Is the mission to **build units**, or to **house families**?
Under a cost-per-unit framework, the priority becomes maximizing unit count. Under a mission-driven framework, the priority becomes housing more people and in family appropriate housing.

6. Mission Should Drive Metrics

Metrics should be designed to support the mission —
not define it.

7. Example Mission Priorities

Unit Mix Target (illustrative):

25% studios/1-bedrooms

50% 2-bedrooms

25% 3–4 bedrooms

Geographic Distribution Target (illustrative):

70% Oahu and 30% Neighbor Islands (based on population share)

8. Comparison Against HHFDC Performance Metrics

Geographic goal: 30% Neighbor Islands - Actual allocation: ~3% → Significant underinvestment

Unit mix goal: Increase 3–4-bedroom units. Historical: ~10% Recent cycle: some improvement, but still below target

9. Use of Discretion and Missed Mission Alignment

At least one project aligned with mission priorities scored well but was **eliminated due to discretion that was inconsistent with the QAP and the mission.**

Question: Mission-compliant projects with justified cost (e.g. more bedrooms/ outer island) should not be eliminated.

Kapiolani Discussion...

Executive Director

I have this project that has a very high score on the QAP, but its cost per door is high?

Board Member response...

Did you ask the developer to justify their cost?

Executive Director

Yes, what they are saying is they are building more bedrooms and they are building in Hilo and the cost is higher when you're doing that. They gave us an analysis of approximately 26 project we funded this round and in the past and that is what their numbers show?

Board Member

I am presuming that we agree that projects that have more bedrooms and projects that we are building in Hilo cost more than project on Oahu. Am I correct in saying that?

Executive Director

Yes, however, their cost is still higher than the average on a per square foot basis. We did ask the developer about their cost per square foot, and they said that costs per square foot varies greatly depending on the type of project. They say it is hard to compare a high rise, to a garden style, to single family home projects under vastly different conditions etc. They are saying that per bedroom cost is a measure of efficiency because it more accurately reflects the cost we spend per person.

Board Member

Are they wrong? Isn't it hard to compare vastly different projects and does the cost per bedroom give us a better indication of how efficiently we are housing people as they are suggesting? To say it another way cost per door and cost per square foot do not measure efficiency unless they are comparable. I mean we know that a 3-bedroom unit costs more than a studio, correct, but you are not saying that a studio is more efficient to build than a 3-bedroom, right. A studio houses 1 person and a 3-bedroom houses a minimum of 3 people and a maximum of 8 people. So, you are not suggesting that we should always build studios because that is what our cost per door says or even our cost per square foot in a multi-story building? I see you prepared us an analysis on a per bedroom and per cost basis, did you adjust that for the cost of building on the outer islands? If not, why?

Kapiolani Discussion...

Executive Director

No, because that is not the calculation we use in the QAP.

Board Member

I know but this project scored very highly on the QAP and the applicant has asked us, to ask you, to reconsider the project. We agree you have a tremendous amount of authority to do what you did, but it is not “carte blanche”. The determination I am trying to make is whether this project has slipped through the cracks and should have been funded. When you are exercising discretion that results in the denial of a project that is a very serious thing. Let me ask you a couple of more questions. According to this email there is a point score in the QAP for cost efficiency. What did they score? Also, you score the RHRF through a separate competitive process, did you allocate bonds to any project that scored less on the RHRF round?

Executive Director

We gave them “0” points on costs and we did allocate bonds to project(s) that were ranked lower during the RHRF competitive round.

Board Member

If the applicant received “0” points for costs they must have scored higher in other areas. In other words, they met priorities that we value. If costs can eliminate a project through discretion than I am assuming that costs would be weighted very heavily as compared to other categories. Am I right in making this assumption?

Executive Director

No, the QAP scores readiness above almost everything else. We routinely allocate additional funding to projects that came in with a lower cost but end up costing substantially more later. A priority for us is get housing built and to control costs through readiness. So, if you have your building permit than you score very highly.

Board Member

Does this project have building permits?

Executive Director

Yes

Board Member

So, they must have spent a lot of money to achieve something we value very highly in the application, is that correct?

Executive Director

Yes, that is very likely. It could be as much as \$2M or more.

Board Member

I am sure you received lots of push back on that criterion, but you still thought it worth adding.

Kapiolani Discussion...

Board Member

Final question, when an applicant does not meet your cost condition or credit utilization requirements even if those conditions are not set forth in the application, is that project always reject?

Executive Director

No, not always. Sometimes we negotiate with the applicant and sometimes we do not.

We did not enter negotiations with this applicant in 2025, but we did negotiate with other(s).

Board Member

So, you negotiate with some, but not others. Did you enter a negotiation with this applicant or any other applicant in the 2025 round?

OK, let me summarize what I think I know:

1. We can agree that we do not like the per unit cost of this project, but it could very well be what it costs to build a project with lots of 3 or 4 bedrooms in Hilo.
2. We agree that the applicant scored very well.
3. We agree that units on the outer island cost more to build.
4. We agree that we are not opposed to building on the outer islands.
5. We agree that that the per door cost is more when we build more bedroom per unit, but these projects are more efficient because they serve more people who share bathrooms, kitchens, living rooms, dining rooms and balconies. We are not opposed to buildings more bedrooms.
6. We know that this applicant scored more on the competitive allocation process for RHRF then others that we ultimately allocated.
7. We know that we have negotiate with some applicant with similar issues and not with this applicant and perhaps others.
8. We know that the applicant spent lots of money to score pursuant to the QAP to meet the conditions of the QAP that we set forth as our priorities.