

HB 276, HD2

Measure Title: RELATING TO THE SENIOR RESIDENCE AT PIIKOI, OAHU.

Report Title: GO Bonds; Hawaii Community Development Authority; Appropriation (\$)

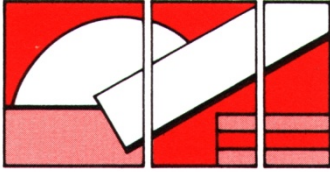
Description: Authorizes the director of finance to issue general obligation bonds for the construction of the Senior Residence at Piikoi, an affordable senior rental housing project on Oahu. Effective July 1, 2030. (HB276 HD2)

Companion:

Package: None

Current Referral: HMS, WAM

Introducer(s): SAIKI



PACIFIC HOUSING ASSISTANCE CORPORATION

677 ALA MOANA BOULEVARD • SUITE 712 • HONOLULU, HAWAII 96813 • (808) 523-5681

Testimony of Marvin Awaya, Executive Director, Pacific Housing Assistance Corporation
House Bill 276, H.D. 2; RELATING TO THE SENIOR RESIDENCE AT PIIKOI, OAHU.

March 14, 2013; 1:00 p.m.; Senate Committee on Human Services

Pacific Housing Assistance Corporation requested that this appropriation bill be introduced to facilitate the financing and development of this very affordable senior housing project. We support this bill that will provide needed “gap” financing for affordable housing.

We request that this be amended by inserting the original appropriation request of \$10 million and its effective date be July 1, 2013

The land is currently owned by Kewalo Development LLC but will be donated in fee to the State of Hawaii (agency undetermined at this time) with a “lease back” to Pacific Housing.

This project consists of 72 one-bedroom apartments to be occupied by seniors, 62 years or older, having incomes not exceeding 60% of the median income of Honolulu. The maximum rent for 60% income one-bedroom units is \$1,158/month. The maximum 60% median income (2012) is \$43,260 for 1 person and \$49,440 for 2 persons.

These income and rent levels are high (for seniors) because the median income survey by HUD surveys all persons, not just seniors. From our experience we find that senior applicants can usually afford rents much lower and therefore will be charging \$850/month, a level that is below the 50% median income rent level (\$965/month). This will ensure a rapid occupancy and be in great demand now and in the future.

This greater affordability comes at a price however, the low rents means that project income is reduced and therefore a reduction of permanent mortgage loan amount, thus contributing to a “gap” in the cost of development and financing available. The general obligation bond appropriation will help fill this “gap”

The other parts of the financing include Hula Mae Multifamily Mortgage Revenue Bonds (purchased by private investors), Federal and State Low Income Housing Tax Credit equity (from private investors). Also included are HOME Investment Partnership funds and Community Development Block Grant funds that were appropriated last year by the City & County of Honolulu. A summary of project costs and financing sources are attached to this testimony.

The land is owned by Kewalo Development LLC and fee title will be donated to the State of Hawaii with a “lease back” to Pacific Housing.

Regarding readiness of this project to commence, major work to start construction has been done or is close to completion.

- Drawings and specifications for bidding are complete.
- Permit applications have been submitted to the City.
- Water and sewer availability has been confirmed.
- Federal and State environmental studies and surveys have been completed and final public hearings will be complete in February
- Foundation permit approval is expected in March
- Building permit approval is expected in June.
- Construction will be able to commence in late 2013.
- Completion is estimated at 14 months from the start of construction.

A "Project Fact Sheet" has also been attached.

**Attachment
Project Costs and Financing Sources**

PROJECT COST		
Building Demolition	\$ 200,000	
Site Work	\$ 1,539,000	
New Construction (Vertical)	\$ 13,900,000	
Contingency	\$ 1,223,000	
Permits and Fees	Included	
Architectural & Engineering	\$ 1,062,700	
Interim Costs	\$ 570,200	
Bond Issuance Costs	\$ 798,300	
Bond Financing Costs	\$ 32,500	
Soft Costs	\$ 775,700	
Syndication Costs	\$ 117,000	
Project Management	\$ 500,000	
Developer's Fees	\$ 1,275,000	
Project Reserves	\$ 195,700	
Total Development Budget	\$ 22,189,100	

Total Project Cost:	\$ 22,189,100		
Construction Financing Sources			
Hula Mae Multifamily Rev. Bonds (Series A)	\$ 3,785,100		
Hula Mae Multifamily Rev. Bonds (Series B)	\$ 7,309,500		
CIP G.O. Bonds (Taxable)	\$ 8,250,000		
CDBG	\$ 500,000		
HOME	\$ 1,000,000		
Total Construction Financing:	\$ 20,844,600		
Construction Financing Needed:	\$ 20,743,400	\$ 101,200	
<i>Note: Deferral Developer Fee & Reserves (\$1.445M)</i>			
Permanent Financing Sources			
LIHTC Equity	\$ 7,000,000		
Hula Mae Multifamily Rev. Bonds (Series A)	\$ 3,785,100		
CIP G.O. Bonds (Taxable)	\$ 10,000,000		
CDBG	\$ 500,000		
HOME	\$ 1,000,000		
Total Permanent Financing:	\$ 22,285,100		
Permanent Financing Needed:	\$ 22,189,100	\$ 96,000	