

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

March 22, 2019

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

Second Amendment of General Lease No. S-5223 Regarding Rent Payable; Coalition for Specialized Housing, Lessee; For Low or Moderate Income Housing for the Elderly and Disabled Purposes, Pearl City, Ewa, Oahu, Tax Map Key: (1) 9-7-019:049.

APPLICANT:

Coalition for Specialized Housing, a Hawaii non-profit corporation.

LEGAL REFERENCE:

Section 171-43.1, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Manana and Waimano situated at Pearl City, Ewa, Oahu, identified by Tax Map Key: (1) 9-7-019:049 as shown on the attached **Exhibit A**.

AREA:

6.507 acres, more or less.

ZONING:

State Land Use District: Urban
City and County of Honolulu CZO: R-6

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CHARACTER OF USE:

Solely for low or moderate income housing for the elderly and disabled purposes.

LEASE TERM:

Sixty-five (65) years, commencing on June 1, 1994 and expiring on May 31, 2059.

CURRENT RENT:

\$480 per annum.

RENTAL REOPENINGS:

At the 15th, 25th, 35th, 45th, and 55th years of the lease term. Next reopening date is June 1, 2019. Pursuant to page 2 of the subject lease, "The rental for any ensuing period shall be the fair market rental at the time of reopening". See Remarks Section below.

DCCA VERIFICATION:

| | | |
|---|--------------|--------------|
| Place of business registration confirmed: | YES <u>x</u> | NO <u> </u> |
| Registered business name confirmed: | YES <u>x</u> | NO <u> </u> |
| Applicant in good standing confirmed: | YES <u>x</u> | NO <u> </u> |

REMARKS:

At its meeting of May 27, 1988, Item F-8, the Board authorized the issuance of a direct lease, at fair market rent, to Coalition of Specialized Housing for low or moderate income housing for the elderly and disabled purposes. The rent at the commencement of the lease was \$20,000 per annum.

At its meeting of September 27, 2007, Item D-2, the Board approved an amendment of the subject lease, which brought down the rent to \$480 per annum for the period from June 1, 2009 to May 31, 2019.

Recently, staff has initiated discussion with the Hawaii Housing Finance and Development Corporation ("HHFDC") regarding the possibility of setting aside the land to them for affordable housing purposes. Staff understands that HHFDC has the program and expertise to ensure the availability of the affordable housing units for the community, pursuant to the lease conditions. HHFDC made a Rental Housing Revolving Fund ("RHRF") loan and awarded Low Income Housing Tax Credits ("LIHTC") to the project which require all units to be affordable to households with incomes that do not exceed 50% and 60% of the area median income as determined by the U.S. Department of Housing and Urban Development. HHFDC monitors the housing project for compliance with the requirements of the RHRF and LIHTC programs which affordability restrictions expire on January 31, 2024 and December 31, 2024, respectively.

The subject lease, as drafted, does not provide a clear definition of "low or moderate income housing". Similarly, there is no other mechanism, e.g. X% of the area median income, that the Department can use to maintain the affordability. This issue may become a problem when the above-mentioned programs administered by HHFDC over the subject

development expire in 2024. In short, HHFDC intends to assume the management of the lease which will place the development under its program control and enable the affordability restrictions to be extended beyond 2024.

During due diligence, HHFDC noticed couple of issues in the proposed transfer, like the transfer of the drainage channel to the City and County of Honolulu and the maintenance of a pedestrian footbridge. Staff will continue to work with HHFDC on the proposed transfer and will bring the request to the Board at a later date for consideration.

Staff understands that HHFDC retained a consultant firm to ensure the applicant complies fully with its programs. Maintaining the annual lease rent at the current level of \$480 is crucial in providing affordable housings to the community within a certain bracket of the median income. Staff believes a nominal rent based on the prevailing Board policy for minimum rent on leases to eleemosynary organizations is appropriate in view of the services provided to the community.

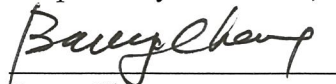
Currently, the minimum rent is \$480 per annum. Therefore, staff recommends the Board authorize the second amendment of General Lease No. 5223 by replacing the rent reopening provision with "The annual rental shall be reopened and redetermined based on the Board's then prevailing Minimum Rent Policy for eleemosynary organizations".

HHFDC does not have any objections to the subject request. Applicant is compliant with the terms and conditions of the subject lease and there are no other pertinent issues.

RECOMMENDATION: That the Board authorize the second amendment of General Lease No. S-5223 by revising the rent reopening provision, subject to the terms and conditions cited above, and further subject to the following:

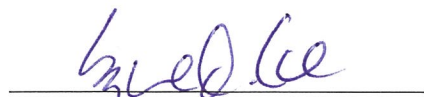
- A. The standard terms and conditions of the most current amendment of lease form, as may be amended from time to time;
- B. Review and approval by the Department of the Attorney General; and
- C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



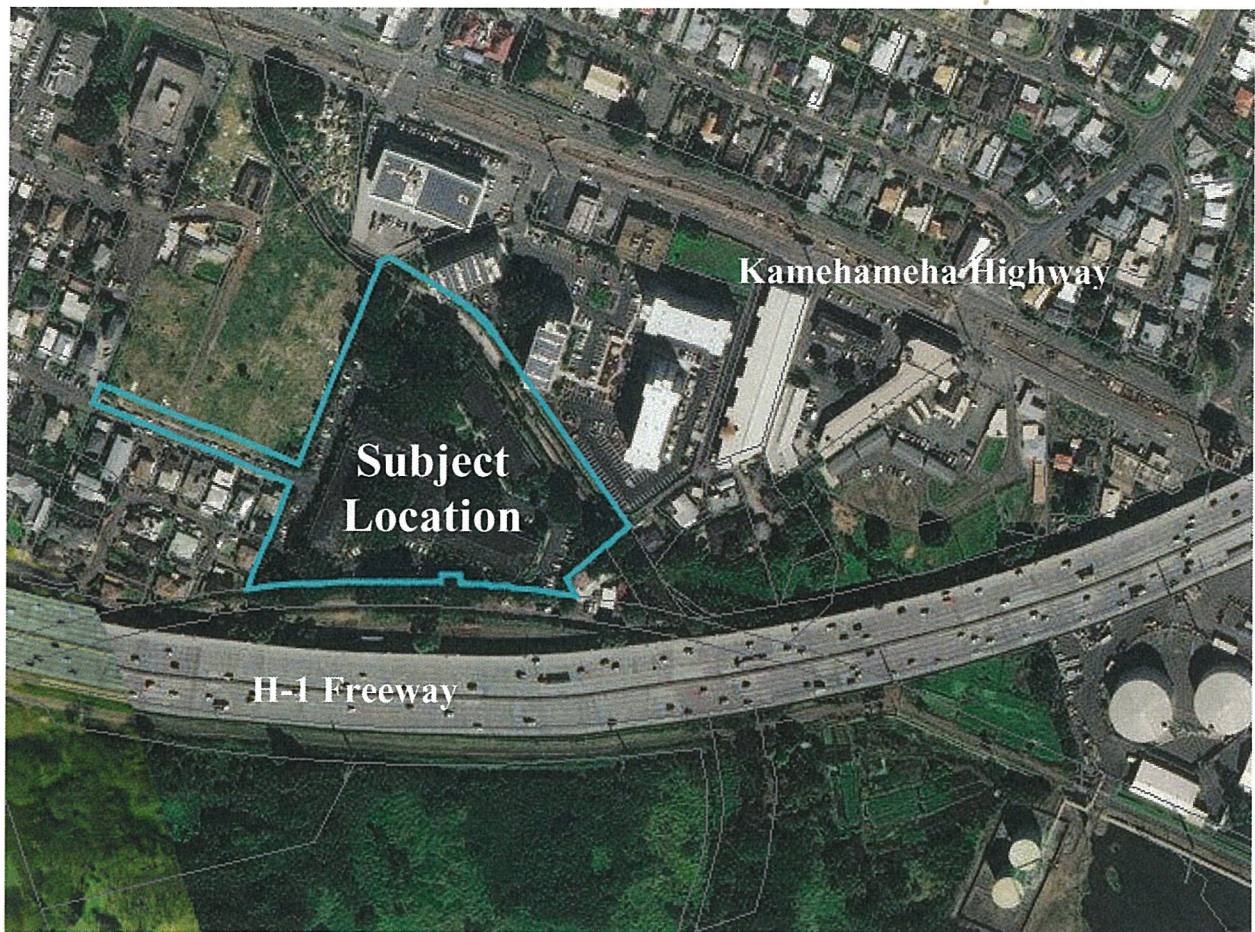
Barry Cheung
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

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TMK (1) 9-7-019:049

EXHIBIT A