

**FOR ACTION**

**I. REQUEST**

Approve a Memorandum of Agreement with the County of Kauai to Establish a Cooperative Relationship for the Lima Ola Workforce Housing Development Located in Eleele, Kauai, Hawaii, TMK No.: (4) 2-1-001:027

**II. FACTS**

A. The County of Kauai Housing Agency, on behalf of the County of Kauai (“County”), as the fee simple owner, is proposing to develop the Lima Ola master planned community to satisfy the need for affordable housing on the island of Kauai. The project site is located in the Eleele community on the west side of the island of Kauai. Consisting of approximately 75 acres, the project site is bordered by Kaumuali‘i Highway to the north, a 24-acre Habitat for Humanity development to the west, and agricultural fields to the south and east. The parcel is zoned for agricultural uses (but is not included within the Important Agricultural Lands) and is currently being utilized by Kauai Coffee Company through a License Agreement with the County.

At build-out, Lima Ola will include approximately 550 residential units (single family, multi-family and senior units). The project is being designed with green sustainable energy efficiency features, a community center/park, vegetated drainage swales, landscaped areas, a water storage tank, and bike and pedestrian paths.

The Lima Ola parcel is planned to be a four phased development to increase affordable housing inventory to meet the current and future housing needs of Kauai’s residents.

Summary of Housing Phasing		
Phase	Acres	Units
1	26	38 Single Family 111 Multi-Family
2	19	75 Single Family 97 Multi-Family
3	17	34 Single Family 102 Multi-Family
4	10	18 Single Family 75 Multi-Family

Please refer to Exhibit A for a Location Map, Subdivision Zoning Map, and Preliminary Phasing Plan.

B. The County has commenced with the Chapter 201H, Hawaii Revised Statutes, expedited entitlement process and anticipates County Council approval of its 201H Application in early November 2016. Infrastructure construction is estimated to start by October 2017.

### III. DISCUSSION

- A. A key to housing delivery is land entitlement, lowering the cost of financing for the construction of infrastructure improvements (e.g., streets, sidewalks, drainage and utilities) and the availability of development capital. The estimated cost to develop the necessary on- and off-site infrastructure for Lima Ola is approximately \$19,500,000, of which the County is requesting the County Council to approve an appropriation of \$8,000,000 for on and off-site infrastructure costs, a community park, and project contingency.
- B. The development concept for Lima Ola entails:
1. The County providing the necessary infrastructure and entitlements for the development of the master planned community;
  2. The Hawaii Housing Finance and Development Corporation (“HHFDC”) requesting a Dwelling Unit Revolving Fund (“DURF”) infusion from the Legislature to be loaned to the County for infrastructure for Lima Ola;
  3. The County preparing a request for proposals for the development of Lima Ola; and
  4. HHFDC and the County undertaking all necessary tasks in furtherance of the development of the Lima Ola which may include HHFDC accepting one or more finished lots in Lima Ola entitled for multi-family housing in full or partial repayment of the DURF loan to the County.
- C. The 2016 State Legislature approved an appropriation of \$25,000,000 for the DURF. The Legislature also passed H.B. 2305, H.D. 1, S.D. 1, C.D. 1 Relating to the Dwelling Unit Revolving Fund, which authorizes HHFDC to provide grants and loans to state agencies, and loans to the counties and private developers for regional infrastructure improvements. The measure also allows HHFDC to accept improved land from the counties or private developers in repayment of their loans.
- D. The purposes of the Memorandum of Agreement (“MOA”), which is attached as Exhibit B, are to establish a cooperative relationship for the development of Lima Ola and define the roles and responsibilities of the County and HHFDC.

Pursuant to the MOA, the County will apply for a DURF loan and enter into a Loan Agreement which will set forth the terms and conditions for the loan from HHFDC. Initially, the DURF loan was intended to match the County’s infrastructure investment of \$8,000,000. Based on the County’s estimated project infrastructure cost breakdown, the County may request a DURF loan of up to \$13,000,000 for Lima Ola Phase 1. However, the exact amount of the DURF loan won’t be known until the County is able to ascertain firm infrastructure costs through competitive bidding.

Subject to the approval of the County Council, the County will convey in fee simple to HHFDC one or more finished lots in Lima Ola entitled for multi-family housing in repayment of all or a portion of the DURF loan. HHFDC will subsequently lease the land to a private entity for a term of not less than 65 years for use as one or more affordable rental housing projects.

**IV. RECOMMENDATION**

That the HHFDC Board of Directors approve the following:

- A. The Memorandum of Agreement between the Hawaii Housing Finance and Development Corporation and the County of Kauai.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

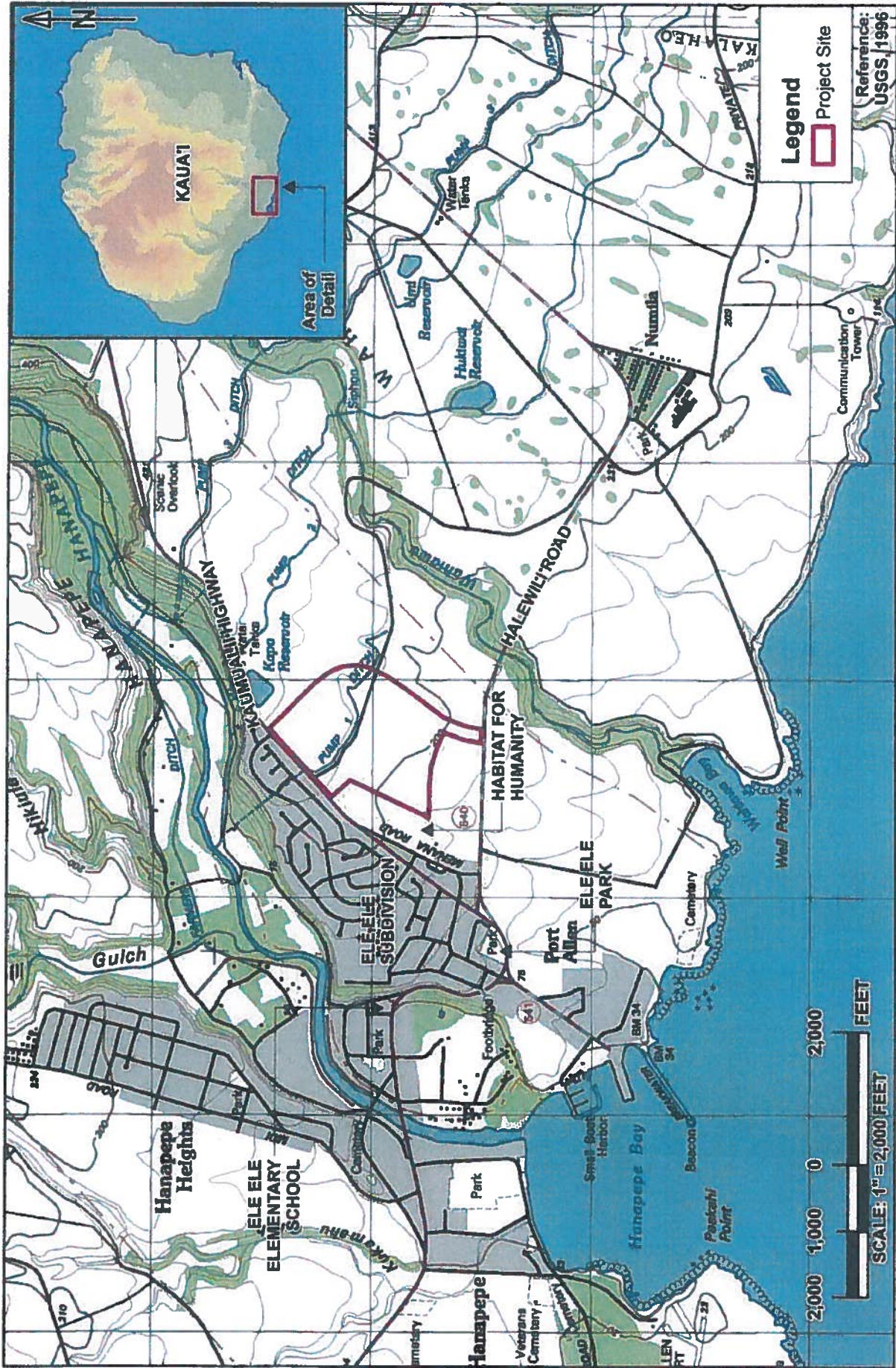
Attachment: Exhibit A – Location Map, Subdivision Zoning Map, and Preliminary Phasing Plan.

Exhibit B – Memorandum of Agreement

Prepared by: Janice Takahashi, Chief Planner 

**Approved by The Board of Directors at its meeting**  
on JUL 14 2016  
**PLANNING AND EVALUATION OFFICE**  
**Please take necessary action.**

  
**EXECUTIVE DIRECTOR**



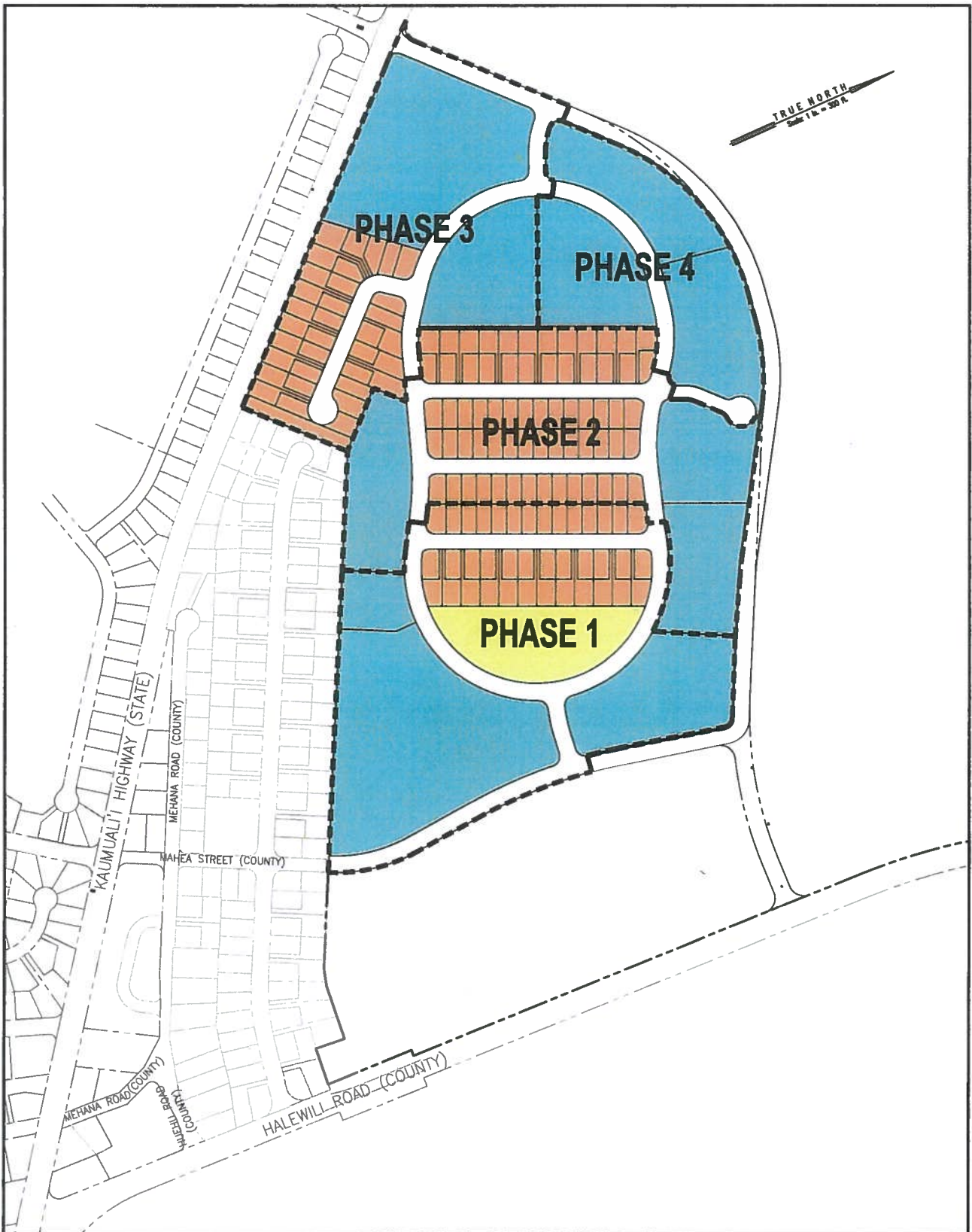
DRAFT ENVIRONMENTAL ASSESSMENT FOR THE LIMA OLA WORK FORCE HOUSING DEVELOPMENT

PROJECT LOCATION MAP  
 'ELE'ELE, KAUA'I, HAWAII

FIGURE  
 1

 Community Planning  
 and Engineering, Inc.

EXHIBIT A



**ZONING LEGEND:**

- ZONING R-1
- ZONING R-6
- PROJECT DISTRICT

SLUC: URBAN  
 FLOOD HAZARD ZONE: ZONE X

**NOTE:**

PHASE 1:	38 SINGLE FAMILY HOMES 111 RESIDENTIAL UNITS
PHASE 2:	75 SINGLE FAMILY HOMES 97 RESIDENTIAL UNITS
PHASE 3:	34 SINGLE FAMILY HOMES 102 RESIDENTIAL UNITS
PHASE 4:	18 SINGLE FAMILY HOMES 75 RESIDENTIAL UNITS
<b>TOTAL:</b>	<b>550 UNITS</b>

**LIMA OLA SUBDIVISION  
 ZONING MAP**



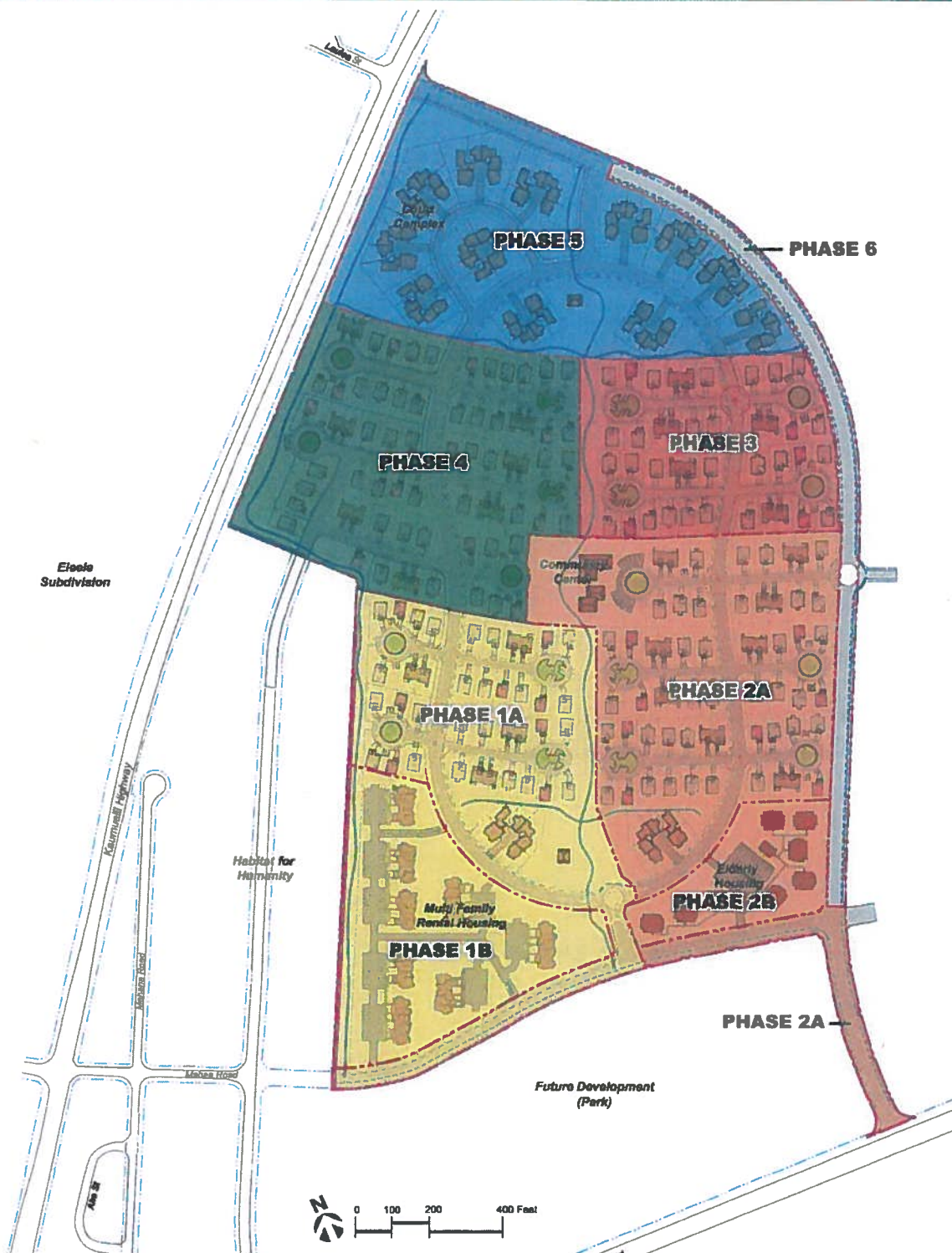
**EXHIBIT A**

## Phasing Plan

Figure 22 shows a preliminary phasing plan for Lima Ola, subject to change based on engineering recommendations. Primary development activities for each phase are described below.

Figure 22

Phasing Plan



MEMORANDUM OF AGREEMENT  
BETWEEN THE  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION AND THE  
COUNTY OF KAUAI

This Memorandum of Agreement (“Agreement”) is made this \_\_\_ day of \_\_\_\_\_ 2016, by and between the Hawaii Housing Finance and Development Corporation, a public body and a body corporate and politic of the State of Hawaii (“HHFDC”), and the County of Kauai (“County”), a political subdivision of the State of Hawaii, through its Housing Agency, (collectively, “the Parties”).

WITNESSETH:

WHEREAS, the purpose of this Agreement is to evidence the Parties’ desire to form a cooperative relationship to provide a means by which the Parties may achieve cost-effective and efficient acquisition of funding to address the immediate and essential long-term affordable housing needs of the County of Kauai, additionally, to realize the administrative and contract management savings of a single source funding solution; and

WHEREAS, HHFDC, mandated to increase the supply of workforce and affordable housing, has a dedicated interest to increase and encourage the development and proliferation of affordable housing for the residents of the State of Hawaii; and

WHEREAS, in February 2010, the County acquired 75 acres in `Ele`ele, Kaua`i (hereinafter “Lima Ola”) for the purpose of a mixed income residential affordable housing development designed to maximize healthy living, sustainable living, and social interaction, and which represents a prudent public investment for the residents of Kaua`i; and

WHEREAS, the mixed income development concept would entail: (a) the County providing the necessary infrastructure and entitlements for the development of Lima Ola; (b) HHFDC requesting a Dwelling Unit Revolving Fund (“DURF”) infusion from the Legislature to be loaned to the County for infrastructure for Lima Ola; (c) the County

preparing a request for proposals for the development of Lima Ola; and (d) HHFDC and the County undertaking all necessary tasks in furtherance of the development of the Lima Ola which may include HHFDC accepting one or more finished lots in Lima Ola entitled for multi-family housing in full or partial repayment of the DURF loan to the County; and

WHEREAS, the Parties desire to enter into this Agreement to establish a cooperative relationship for the development of Lima Ola and to define their respective roles and responsibilities in pursuing the funding for and development of Lima Ola;

NOW, THEREFORE, the Parties mutually agree as follows:

1. County Obligations. The County shall be responsible for the following:
  - A. Prepare, solicit, execute, and manage the development contract(s) for Lima Ola.
  - B. Provide a process for HHFDC to review any relevant development contract(s).
  - C. Coordinate with HHFDC on the various phases of Lima Ola, including preliminary evaluations; developer selection, construction contracts, and public outreach.
  - D. Permit an HHFDC representative to serve on the developer selection committee.
  - E. Apply for a DURF loan for the development and construction of infrastructure improvements for Lima Ola.
  - F. Enter into a Loan Agreement which will set forth the terms and conditions for the DURF loan from HHFDC.
  - G. Subject to the approval of the Kauai County Council, convey in fee simple to HHFDC one or more finished lots in Lima Ola entitled for multi-family housing in repayment of all or a portion of the HHFDC's DURF loan. The appraised value of the improved lot(s) and, loan payments, if applicable, shall be equal to the DURF loan amount.
2. HHFDC Obligations. HHFDC shall be responsible for the following:
  - A. Assist the County in the selection of the Lima Ola developer(s). HHFDC shall name a representative to serve as a member of the developer selection committee.
  - B. Participate in the development of Lima Ola by:
    - Reviewing and commenting on work products in a timely manner.
    - Working closely with the County in evaluating various proposals.



- Supporting the County's public outreach and education efforts to promote interest and input in Lima Ola, as deemed appropriate by the County.
- C. Request appropriate DURF funds from the Hawaii State Legislature for a DURF loan to develop and construct infrastructure improvements for Lima Ola.
  - D. Obtain necessary approvals, including approvals from the HHFDC Board of Directors, Department of Business, Economic Development and Tourism, Department of Budget and Finance, and the Governor, to commit, disburse and recoup the value of the DURF loan funds for Lima Ola.
  - E. Accept in repayment of all or a portion of the County's DURF loan the fee simple conveyance of one or more finished lots in Lima Ola entitled for multi-family housing at a cost as agreed to by the Parties, such lot or lots to be leased by HHFDC to a private entity for a term of not less than sixty-five (65) years for use as one or more affordable rental housing projects.

3. Term. This Agreement shall be effective as of the date listed above and shall continue until such time that the Parties determine that the objectives of this Agreement have been fulfilled, unless sooner terminated as provided herein.

4. Notices. Any written notice required to be given by any party to this Agreement shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The Parties are responsible for notifying each other in writing of any change of address.

5. Termination of Agreement.

- A. Either party may terminate this Agreement with sixty (60) days' prior written notice to the other party.
- B. Upon termination of this Agreement, HHFDC and County shall be released from any further obligations hereunder.

6. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and

enforceable, then such provision shall be deemed to be written, construed and enforced as so limited.

7. Waiver. The failure of either party to enforce, or the granting of a waiver of, any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

8. Amendment. This Agreement may be modified, amended or extended only by mutual written agreement signed by both Parties.

9. Applicable Law. This Agreement shall be governed by the laws of the State of Hawaii.

10. Counterparts. This Agreement may be executed in several duplicate counterparts and such counterparts, when executed, shall constitute a single agreement.

**IN VIEW OF THE ABOVE,** HHFDC and County execute this Agreement by their signatures, on the dates below, to be effective as of the date first above written.

County of Kauai

DBEDT/HHFDC

\_\_\_\_\_  
Kanani Fu  
Housing Director

\_\_\_\_\_  
Craig K. Hirai  
Executive Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approved as to Form and Legality  
Deputy County Attorney

\_\_\_\_\_  
Approved as to Form  
Deputy Attorney General