



NOVOGRADAC

Journal of Tax Credits™

A Look at the Year Ahead: **Tax Credit Legislation and Regulations**

**Regulation, Policies Under
New Administration Present
Opportunities to Community
Development World**

Page 4

**Opportunity Zones Working
Group: Looking to 2025 and
Opportunity Zones 2.0**

Page 9

**LIHTC Working Group
Requests Important
Industry Guidance**

Page 12

**NMTC Working Group,
Coming Off Busy 2024, Seeks
Incentive's Extension or
Permanence in 2025**

Page 58





Hocking Building Blends LIHTCs, HTCs to Write New Chapter for Honolulu Locale

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

The site of a former hotel and later a bank in downtown Honolulu entered its third and latest phase as an affordable housing property as 2024 came to a close.

The Hocking Building in the Chinatown District in November 2024 introduced a \$33 million, three-story, 40-apartment adaptive reuse of a historic site to the Hawai'i capital. A trio of developers—Skyler Pacific, Pacific Development Group through its Hawaii Pacific affiliate and Waialae Avenue Partners—joined forces to become Hocking Building LP. Along with property manager Indigo Real Estate Services, the team developed or manages more than 4,000 affordable apartments across the United States.

“We were drawn to this project because it was an opportunity to contribute to the housing inventory for individuals and families in our community who are especially in need,” said Kevin Unemori, a partner with Skyler Pacific. “Equally important is being part of the community effort to revitalize a historic part of downtown Honolulu. With all sincerity, being a small part of the solution is immensely gratifying.”

The Hocking Building LP team used tax credit financing for the redevelopment, with Hunt Capital Partners (HCP) syndicating \$10.5 million in state and federal low-income

Image: Courtesy of Nick Smith for Hocking Building LP
The Hocking Building in Honolulu's historic Chinatown District was previously a mixed-use property with a ground-floor bank.

housing tax credits and \$4.7 million in federal historic tax credits.

The property started construction in July 2023, completed in November 2024 and began leasing in December 2024.



Image: Courtesy of Nick Smith for Hocking Building LP
Kahu Kordell Kekoa blesses one of the affordable rental units in the Hocking Building, a property redeveloped with historic and low-income housing tax credits, in Honolulu’s Chinatown District.

Keeping Character

The Hocking Building is named for the entrepreneur who financed it, Alfred B. Hocking. The site was the first mixed-use commercial building in downtown Honolulu. Previously a hotel with ground-floor commercial space and a second floor for rent as “sample rooms” for traveling salespeople, the building also served as home to the Chinese American Bank, American Security Bank, and later, First Hawaiian Bank—which provided equity and loans for the redevelopment—and leased the property until December 2022. John Lee, managing director of funds management for HCP, said elements of the property’s banking history were incorporated into the new Hocking Building, using the old bank teller desk bars as decoration.

Part of the challenge for the development team was preserving the Hocking Building, constructed in 1914, which includes a section formerly part of the neighboring Aseu Building, built in 1886. Lee said Mark Hashem, a member of the development team, appreciated the complexity.

“Mark talked about the project being really two buildings combined,” said Lee. “There was a unique aspect to that for the construction review team.”



Image: Courtesy of Nick Smith for Hocking Building LP
Kahu Kordell Kekoa blesses the development team behind the Hocking Building, a historic and low-income housing tax credit property in Honolulu’s Chinatown District.

A New Chapter

The development will host those earning up to 30% and 50% of the area median income (AMI). On the island of Oahu, for a family of four, that ranges from \$41,760 at the 30% level to \$69,600 for the 50% mark. Some of the residents earning up to 30% of the AMI will receive assistance from Section 8 housing vouchers.

The Institute for Human Services will provide services including case management, health and wellness, and employment support to residents at or below the 30% of the AMI level. The organization is one of the largest and most comprehensive services providers in Hawai‘i aimed at ending and preventing homelessness.

In addition to providing housing to Hawai'i residents, the development team sought to revitalize and support the economic viability of Honolulu's historic Chinatown District.

“From a construction perspective, by revitalizing an existing building, we were able to use a large portion of existing utilities, including water, electrical and wastewater, reducing the cost of adding that type of infrastructure compared to doing so from scratch,” said Unemori.



Image: Courtesy of Nick Smith for Hocking Building LP
Members of the community and development team behind the Hocking Building in Honolulu pose at its grand opening. The property was developed using historic and low-income housing tax credit equity.

Financing

HCP became involved in the transaction through the development team and has worked in Hawai'i for 15 years.

“HCP has closed on 23 properties in Hawai'i,” Lee said. “We have really great working relationships with developers and several of the large Hawai'i-based banks. What makes this one unique is it's the first historic and LIHTC deal in Hawai'i.”

Lee said it was satisfying to see the Hocking Building transaction make it to the finish line as work began as far back as 2019, before the COVID-19 pandemic impacted financing rates and construction costs.

“They had to consider a lot of different options and structures, so to see it finally close was rewarding,” said Lee.

In addition to HCP, First Hawaiian Bank provided the equity and \$12 million of construction financing. Hawai'i Housing Finance and Development Corporation provided a \$16.1 million loan from its Rental Housing Revolving Fund. The city and county of Honolulu delivered a \$3.9 million Affordable Housing Loan.

Novogradac provided audit and tax services as well as services for the initial 10% test and the final cost certification.

A Community Effort

Unemori highlighted the help of many parties to bring the development together, including Hawai'i Gov. Josh Green, the National Parks Service, the city and county of Honolulu under Mayor Rick Blangiardi, Indigo Real Estate Services, architect CDS International, general contractor Alan Shintani Inc., Hawai'i Housing Finance & Development Corporation, First Hawaiian Bank, and many others.

“As with any project like this, it takes many partners in all phases to be successful,” said Unemori. “This project would not have been possible without the strong support and commitment every step of the way from our state and city leadership and administrations, and our financing, design, construction and other partners.” ❖

HOCKING BUILDING

FINANCING

- ◆ \$16.1 million in a Rental Housing Revolving Fund Hawai'i loan from the Hawai'i Housing Finance and Development Corporation
- ◆ \$12 million construction loan and \$800,000 permanent loan from First Hawaiian Bank
- ◆ \$10.5 million in federal and state low-income housing tax credits, syndicated by Hunt Capital Partners (HCP)
- ◆ \$4.7 million in federal historic tax credits syndicated by HCP
- ◆ \$3.9 million in a loan from the City & County of Honolulu Affordable Housing Fund

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