



Affordable Housing Developer Breaks Ground on Maui LIHTC Property

TERESA GARCIA, MARKETING MANAGER, NOVOGRADAC & COMPANY LLP

A traditional Hawaiian blessing in early October marked the official start of construction for Kaiwahine Village.

The low-income housing tax credit (LIHTC) property in Maui is on track to provide 120 much-needed affordable apartments by early 2020, despite Hawaii's high construction costs and not one, but two hurricanes that twice threatened to delay the development's groundbreaking.

Located in Kihei, a census-designated place on Maui's west coast, Kaiwahine Village sits on property with a land deed restriction for housing at 80 percent area median income (AMI). The land's previous owners intended to build for-sale housing on the site, but after the income restriction stalled construction for years, it approached Urban Housing Communities (UHC) to gauge its interest in buying the land.

"When you're below 80 percent AMI, it's tough to do for-sale," said Doug Bigley, CEO of UHC, Kaiwahine Village's developer. "The other thing is that with a for-sale product, it's harder to tap into available subsidies."

UHC agreed to buy the land and build LIHTC rental apartments in response to neighborhood demand. Kaiwahine Village will remain 100 percent affordable for at least 65 years.

Market Needs

Novogradac & Company LLP performed a market study for Kaiwahine Village and found a severe affordable housing shortage in the area.

"The development will offer much-needed affordable housing in an area in which high construction costs continue to limit multifamily development," said Rebecca Arthur, MAI and partner at Novogradac & Company. "The overall vacancy rate of rental developments in the market is less than 3 percent."

Arthur said that median home values are more than \$600,000, while the median household income level in the area is less than \$70,000. Kaiwahine Village will offer rental units at 30, 40 and 60 percent of



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the AMI. These rents will provide a 48-82 percent rent advantage over market-rate rentals on the island.

The affordable housing shortage has been especially difficult for the city's service workers.

"Hawaii is a huge service market," said Bigley. "We met with people from ABC Stores and hotels and they've had a lot of difficulty retaining key employees because they can't afford housing there. It's a good market for us because our model is strictly workforce affordable housing."

Property Details

Bigley said UHC and its internal design team take a resident- and community-centered approach to development. "When I provide workforce housing, I'm not just providing shelter; I'm providing a home," said Bigley.

Image: Courtesy of Ernie Marjoram

Kaiwahine Village will provide 120 units of affordable housing in Kihei, Hawaii.

Once completed, the LEED for Homes-rated Kaiwahine Village will have two-

bedroom and three-bedroom apartments, as well as two residences for staff. Apartments will have Energy Star appliances, hard-surface flooring, solar water heating and water-efficient plumbing. Amenities include on-site community services, a clubhouse, centralized laundry facilities, hiking trails, a children's play area and fruit trees to grow food for residents year-round. Kaiwahine Village will also incorporate into its design community art by a local artist and schoolchildren.

Financing

A mix of public and private funding sources helped fund Kaiwahine Village, including a rental housing revolving fund loan of \$19.7 million from the Hawaii Housing Finance and Development Corporation, a \$2.3 million HOME loan from the county of Maui and \$1.4 million from the rental housing trust fund.

Initial acquisition issues and water-meter requirements meant UHC needed to submit two different LIHTC applications for Kaiwahine Village. However, both phases of construction will happen simultaneously to minimize the impact of construction for neighboring

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residents. Another challenge was the timing of federal tax reform, which caused tax credit pricing to change.

For federal and state LIHTC investments, UHC turned to Hunt Capital Partners. Kaiwahine Village is the fourth affordable housing collaboration between UHC and Hunt in Hawaii. For Kaiwahine, Hunt provided \$23 million in federal 4 percent LIHTC equity and \$8 million in state LIHTC equity.

“The state made a special appropriation of soft money and rental housing trust funds, which allowed a number of large 4 percent deals to be funded,” said Dana Mayo, Hunt Capital Partners’ executive managing director. “We were one of the first that’s gotten closed.”

Without the tax credits, partners say Kaiwahine Village could not be built.

“Hawaii is one of these high-cost areas in the country and there’s really no way to efficiently build affordable housing out there,” said Mayo. “Land is way too expensive, construction costs are really high and you have to import most of the stuff. Without the tax credit subsidy, it’s really impossible.”

James Crowder, director of project management at Hunt, agrees. “In my opinion, this is exactly what the tax credit is for,” said Crowder. “In Maui, you can’t really build new construction, so the LIHTC fits perfectly.”

On the debt side, UHC brought in Citi Community Capital. Citi and UHC have worked together on numerous affordable housing properties all over California, but Kaiwahine is their first partnership in Hawaii.

Citi Community Capital provided a total \$33.2 million in construction financing and about \$7 million in permanent financing for Kaiwahine.

“Hawaii is super expensive and affordable housing is in high demand, so we’re grateful that we’re able to partner with UHC to finance this much needed affordable housing initiative,” said Sonia Rahm, director of Citi Community Capital. “We’re very excited this project is off and running.” ❖

Kaiwahine Village

FINANCING

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- ◆ \$23 million in federal low-income housing tax credit (LIHTC) equity from Hunt Capital Partners
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- ◆ \$8 million in state LIHTC equity from Hunt Capital Partners
- ◆ \$7 million in permanent debt from Citi Community Capital
- ◆ \$2.3 million HOME loan from the county of Maui
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