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& C OF HONOLULU

CRAIG K. HIRAI
EXECUTIVE DIRECTOR

2014 APR 17 AM 9:44

In reply, refer to:

14:DEV/0042

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300

HONOLULU, HAWAII 96813

FAX: (808) 587-0600

April 11, 2014

The Honorable Ernest Y. Martin, Council Chair
and Members of City Council
Honolulu City Council
530 King Street, Room 202
Honolulu, Hawaii 96813

RECEIVED
2014 APR 15 P 1:33
CITY COUNCIL
HONOLULU, HAWAII

Dear Chair Martin and Council Members:

Subject: Resolution to Amend Resolution 10-245, CD1, FD1
Relating to the Green Homes at Lualualei Affordable Housing Project
87-1720 Farrington Hwy, Waianae, HI 96792
Tax Map Keys (1) 8-7-033:011 and 022

Enclosed for your review and action is a draft resolution amending Council Resolution 10-245, CD1, FD1, to diversify the target market and include a greater pool of potential buyers for 12 of the 25 fee-simple single family units within the Green Homes at Lualualei Housing Project.

On August 12, 2010, the Hawaii Housing Finance and Development Corporation (HHFDC) approved an application for the Green Homes at Lualualei Housing Project under the provisions of Chapter 201H, HRS, including certain exemptions from planning, zoning and construction standards. The Honolulu City Council adopted Resolution 10-245, CD1, FD1 (copy attached) associated with the 201H application on September 22, 2010. The Council subsequently adopted Resolution 10-310, amending Resolution 10-245, CD1, FD1, to amend Exemption No. 9 relating to park dedication requirements.

Resolution 10-245, CD1, FD1 states that 100 percent (100%) of the 25 fee-simple single family dwellings shall be sold to households qualifying for residential mortgages and earning at or below 140 percent (140%) of the Area Median Income ("AMI"). The Project is subject to restrictive covenants governing the use, occupancy and transfer of the property, and HHFDC's Buy-Back and Shared Appreciation Equity Program (SAE), which run with the property, and are binding on all subsequent owners, leases, grantees, assignees, mortgagees, lien holders, successors and any other person who have or claim to have, an interest in the property.

The Honorable Ernest Y. Martin, Council Chair
April 11, 2014
Page 2

The applicant, Green Homes at Lualualei LLC, has been actively marketing the project and seeking financing for construction since September 2010, but to date has only been able to build and sell four affordable homes. The applicant has experienced significant difficulty obtaining financing for the construction of homes and difficulty in selling homes to buyers who meet the income, first time buyer, 10 year owner occupancy, and other restrictions. The applicant, therefore, requests that 12 of the 25 units be removed from the buyer restrictions. No other amendment or additional exemptions are being requested for the Project.

HHFDC has been monitoring the applicant's sales activities and is convinced that a good faith effort has been made to sell the homes pursuant to the terms of the original Project proposal. However, financial difficulties and slow sales make an amendment to the Project proposal necessary. The applicant believes that by releasing 12 units from the buyer restrictions, it will be able to raise sufficient funds to construct more homes and sell units in a timely manner.

The attached draft Council Resolution incorporates the requested removal of the buyer restrictions from 12 of the 25 units. The requested change maintains the intent of the requirements for affordable housing exemptions under Chapter 201 H-38, HRS. Thus, the 12 units relieved of the buyer restrictions shall be priced at or below 140 percent (140%) of AMI, and shall be first offered to qualified residents for a minimum of thirty (30) calendar days pursuant to Sub chapter 5 of Chapter 15-307, Hawaii Administrative Rules. Accordingly, HHFDC has no objection to this request. Also attached is the HHFDC "For Action" that was approved by the HHFDC Board at its meeting on March 13, 2014, relating to the amendment request.

Please feel free to call Richard Prahler, HHFDC Development Branch Chief, at 587-0527, should there be any questions or comments regarding this matter.

Sincerely,



Craig K. Hirai
Executive Director

Enclosures: 1) Resolution 10-245, CD1, FD1
2) Draft Resolution
3) HHFDC "For Action"



RESOLUTION

AUTHORIZING EXEMPTIONS FROM CERTAIN REQUIREMENTS RELATING TO THE GREEN HOMES AT LUALUALEI AFFORDABLE HOUSING PROJECT AT LUALUALEI, WAIANAE, OAHU, HAWAII, TAX MAP KEYS 8-7-033: 011 AND 022.

WHEREAS, Pacific Island Investments LLC, as the developer, and Green Homes at Lualualei, LLC, as the landowner, with the approval of the Hawaii Housing Finance and Development Corporation ("HHFDC"), propose to develop a single-family dwelling project that will include 25 dwelling units and required infrastructure on land located at 87-1720 Farrington Highway, Lualualei, Waianae, Oahu, identified by Tax Map Keys 8-7-033: 011 and 022, which is owned by Green Homes at Lualualei, LLC, to be known as the Green Homes at Lualualei affordable housing project (the "Project"); and

WHEREAS, the 25 single-family dwellings within the Project will be built on 25 Condominium Property Regime ("CPR") lots ranging from approximately 2,845 to 5,345 square feet, consisting of 3 to 7 bedrooms and 2 to 4 bathrooms that range in size from approximately 1,152 to 3,015 interior square feet. A private driveway that provides 24 feet of paved surface area and a cul-de-sac will provide the right-of-way to the 25 homes. Additional infrastructure such as electrical, water and sewer will also be provided; and

WHEREAS, for a period of 10 years after the completion of construction, 100 percent of the units will be offered for sale at affordable rates. All dwelling units will be offered for sale to households earning at or below 140 percent of the Area Median Gross Income ("AMGI"); and

WHEREAS, the City Council is empowered and authorized to approve the Project, which may include exemptions from statutes, ordinances, charter provisions and rules of any government agency relating to planning, zoning, construction standards for subdivision, development and improvement of land and the construction of units thereon pursuant to Section 201H-38 of the Hawaii Revised Statutes ("HRS"); and

WHEREAS, the City Council has reviewed the preliminary plans, dated June 1, 2010, and outline specifications dated June 22, 2010, prepared for the Project by Pacific Island Investments, and submitted to the Council by the HHFDC; and

WHEREAS, the Project is consistent with the housing and community development goals of the HHFDC; and



RESOLUTION

WHEREAS, the granting of the exemptions is necessary for the timely and successful implementation of the Project; and

WHEREAS, the exemptions meet minimum requirements of health and safety; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it approves the Project, which approval includes exemptions from certain requirements for the Project as set forth in the preliminary plans and specifications for the Project, as follows:

Fee Exemptions and Deferrals:

1. Exemption from Section 14-10.2 Revised Ordinances of Honolulu (ROH) to allow deferral of payment of wastewater system facility charges estimated at \$134,500 until funding of the construction loan is available. The payment of these charges shall be made before connection to the municipal wastewater system.
2. Exemption from Section 14-14.4 ROH to allow exemption from grading and grubbing permit fees estimated at \$463.50 and \$1,043.69, respectively (estimated total of \$1,507).
3. Exemption from Sections 18-6.1 and 18-6.2 ROH to allow exemption from building permit plan review and filing fees.
4. Exemption from Section 14-12.12(f) ROH, to allow exemption from the private storm drain connection fee, estimated at \$100.
5. Exemption from State Department of Health National Pollution Discharge Elimination General Permit Fee, estimated at \$500 per permit, and more than one may be required.

LUO Exemptions:

6. Exemption from Land Use Ordinance (LUO) Section 21-3.70.1(b) and Table 21-3.2 ROH to allow dwelling lots (Condominium Property Regime areas) that do not comply with the minimum land area and lot dimensions of the R-5 Residential District.



RESOLUTION

7. Exemption from LUO Section 21-8.30(a) through (d) which limits each of the two parcels to two dwelling lots and the site development plan requirement for three to six dwelling units, and the requirement for a cluster housing permit for more than six units.
8. Exemption from LUO Section 21-3.70-1(c), Table 21-3.2, and Figure 21-3.3 relating to height, to allow the proposed dwelling units to exceed the 25-foot height limit by about 5 feet for a maximum height of about 30 feet.

Park Dedication Exemption:

9. Partial exemption from park dedication requirements, Chapter 22, Article 7, ROH, to allow satisfaction of the requirements by payment of an in-lieu fee of less than the amount determined in accordance with ROH 22-7.6 and 22-7.7, with the exact amount to be determined by the Department of Planning and Permitting, or by the Council by resolution, and to allow payment of the fee prior to the sale of the first unit in the Project.

BE IT FURTHER RESOLVED that as used in this Resolution:

- a. References to the Hawaii Housing Finance and Development Corporation of Hawaii shall be deemed to include any successor agency; and
- b. References to specific statutes, ordinances, or regulations shall be deemed to include any respective successor statutes, ordinances, or regulations;

and

BE IT FURTHER RESOLVED that this Resolution shall be void unless construction of the Project commences no later than 48 months after the approval date of this Resolution; and

BE IT FURTHER RESOLVED that the exemptions granted for this Project are not transferable to any other real property; and

BE IT FURTHER RESOLVED that the final plans and specifications for the Project shall be deemed approved if those plans and specifications do not substantially deviate from the preliminary plans and outline specifications submitted to the Council; provided that minor modifications to the design character or specifications of the building and/or landscaping may be approved by the HHFDC if such modifications are consistent with the prevailing neighborhood character; and



RESOLUTION

BE IT FURTHER RESOLVED that no action may be prosecuted or maintained against the City and County of Honolulu, its officials or employees, on account of actions taken by them in reviewing or approving the plans and specifications or in granting these exemptions; and

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Hawaii Housing Finance and Development Corporation, 677 Queen Street, Suite 300, Honolulu, Hawaii 96813; Pacific Island Investments LLC, P.O. Box 874, Hilo, Hawaii 96721; and Green Homes at Lualualei, LLC, 1700 Makiki Street, #123, Honolulu, Hawaii 96822.

INTRODUCED BY:

Todd Apo

DATE OF INTRODUCTION:

August 26, 2010

Honolulu, Hawaii

Councilmembers

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

RESOLUTION 10-245, CD1, FD1

Introduced: 08/26/10 By: TODD APO

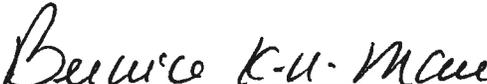
Committee: ZONING

Title: RESOLUTION AUTHORIZING EXEMPTIONS FROM CERTAIN REQUIREMENTS RELATING TO THE GREEN HOMES AT LUALUALEI AFFORDABLE HOUSING PROJECT AT LUALUALEI, WAIANAE, OAHU, HAWAII, TAX MAP KEYS 8-7-033:011 AND 022.

Links: RES:10-245
RES:10-245 CD1, FD1
CR-273

ZONING	08/31/10	CR-273 – RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION AS AMENDED IN <u>CD1</u> FORM. CURRENT DEADLINE: 10/10/10.							
COUNCIL	09/22/10	RESOLUTION AMENDED TO CD1, FD1.							
ANDERSON	Y	APO	Y	CACHOLA	Y	DELA CRUZ	Y	DONOHUE	Y
GARCIA	Y	KOBAYASHI	Y	OKINO	Y	TAM	Y		
CR-273 AND RESOLUTION 10-245, CD1, FD1 WERE ADOPTED.									
ANDERSON	Y	APO	Y	CACHOLA	Y	DELA CRUZ	Y	DONOHUE	Y
GARCIA	Y	KOBAYASHI	Y	OKINO	Y	TAM	Y		

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.


BERNICE K. N. MAU, CITY CLERK


TODD K. APO, CHAIR AND PRESIDING OFFICER

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. _____

RESOLUTION

AMENDING RESOLUTION 10-245, CD1, FD1, AS AMENDED BY RESOLUTION 10-310, TO ALLOW A REDUCTION IN THE NUMBER OF UNITS SUBJECT TO THE AFFORDABILITY RESTRICTIONS FOR GREEN HOMES AT LUALUALEI, A TWENTY-FIVE UNIT SINGLE-FAMILY AFFORDABLE HOUSING PROJECT AT LUALUALEI, WAIANAE, OAHU, HAWAII, TAX MAP KEYS 8-7-033:011 and 022.

WHEREAS, on August 12, 2010 the Board of Directors of the Hawaii Finance and Development Corporation (“HHFDC Board”) approved Green Homes at Lualualei, LLC (“Owner & Developer”), as an eligible developer and the project for processing under the provisions of Chapter 201H of the Hawaii Revised Statutes (“HRS”); and

WHEREAS, on September 22, 2010 the City Council adopted Resolution 10-245, CD1, FD1, approving the 25 single-family dwellings to be developed on 25 Condominium Property Regime lots (“Project”), including certain exemptions from planning, zoning and construction standards pursuant to Chapter 201H-38, HRS, and finding that the Project was consistent with the housing and community development goals of the HHFDC; and

WHEREAS, the City Council subsequently adopted Resolution 10-310 amending Resolution 10-245, CD1, FD1, relating to park dedication requirements; and

WHEREAS, under the Project proposal one hundred percent (100%) of the units are subject to certain buyer restrictions, specifically the HHFDC Buy Back and Shared Appreciation Equity Program pursuant to the Declaration of Land Use Restrictive Covenants recorded in the Bureau of Conveyance, State of Hawaii; and

WHEREAS, the Project has faced prolonged construction delays and significant financial hardship for the Owner & Developer for over three years; and

WHEREAS, on March 13, 2014 the HHFDC Board approved an amendment to the Project previously approved under Chapter 201H of the HRS to allow a reduction in the number of units subject to affordability restrictions, subject to (i) requiring thirteen (13) of the units satisfying all affordability restrictions currently in place, (ii) the remaining twelve (12) units (or lots) being priced at or below the 140% area median income, but not subject to certain buyer restrictions (i.e., Buy Back and Shared Appreciation Equity restrictions); provided, however, that each of the twelve (12) units (or lots) be offered first to qualified residents for a minimum of thirty (30) calendar days pursuant to Subchapter 5 of Chapter 15-307 of the Hawaii Administrative Rules, and (iii) Owner & Developer's entire sales program shall be subject to HHFDC's review and approval to ensure compliance with HHFDC's Affordable Sales Program Guidelines, as applicable; and

RESOLUTION

WHEREAS, the granting of this amendment is necessary for the timely and successful implementation of the Project; and

WHEREAS, the granting of this amendment is consistent with the purpose and intent of Chapter 201H, HRS, meets the minimum health and safety requirements, and does not contravene any safety standards, tariffs, or rates and fees approved by the Public Utilities Commission for public utilities or the Board of Water Supply authorized under Chapter 54, HRS; and

WHEREAS, no other changes are requested to the Owner & Developer's 201H, HRS, Project proposal or exemptions; and

WHEREAS, the requested amended Project proposal continues to meet the requirements approved under Chapter 201H, HRS, and the Hawaii Administrative Rules; and

WHEREAS, the Owner and Developer, with HHFDC's approval, seeks to amend Resolution 10-245, CD1, FD1, as amended by Resolution 10-310, to reduce the affordable restrictions on twelve (12) out of a total of twenty-five (25) units to allow a greater pool of potential buyers in order to sell the remaining fee-simple units (or lots), yet still meet the affordable target market; now therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that Resolution 10-245, CD1, FD1, as amended by Resolution 10-310, is further amended to allow a reduction in the affordability restrictions, subject to the following:

1. Thirteen (13) units shall satisfy all affordability restrictions currently in place;
2. The remaining twelve (12) units (or lots) shall be priced at or below the 140% area median income, but shall not be subject to certain buyer restrictions (i.e., Buy Back and Shared Appreciation Equity restrictions); provided, however, that each of the twelve (12) units (or lots) shall be offered first to qualified residents for a minimum of thirty (30) calendar days pursuant to Subchapter 5 of Chapter 15-307 of the Hawaii Administrative Rules;
3. The Owner & Developer's entire sales program shall be subject to HHFDC's review and approval to ensure compliance with its Affordable Sales Program Guidelines, as applicable; and

BE IT FURTHER RESOLVED that in all other respects Resolution 10-245, CD1, FD1, as amended by Resolution 10-310, is hereby ratified and confirmed and shall continue in full force and effect; and

FOR ACTION

I. REQUEST

Approve an Amendment to a Previously Approved Project Proposal Under Chapter 201H, Hawaii Revised Statutes, to Allow a Reduction in the Number of Units Subject to Affordability Restrictions for Green Homes at Lualualei, a Single-Family CPR Project Located in Waianae, Oahu, Hawaii, TMK Nos. (1) 8-7-033:011 and 022

II. FACTS

Project:	Green Homes at Lualualei
Location:	87-1720 Farrington Highway Waianae, Hawaii 96793
TMK:	(1) 8-7-033:011 and 022
Area:	2.77 acres (120,965 s.f.)
HHFDC Involvement:	201H Application
Type:	Single-Family Residential CPR Project
Developer:	Pacific Island Investments LLC
Land Tenure:	Fee Simple
Land Owner:	Green Homes at Lualualei LLC
State Land Use:	Urban
Zoning:	R-5
No. of Units:	25 (3 – 7 bedrooms, 1,152 s.f. – 2,717 s.f.)
Target Market:	25 Units at or below 140% of HUD Area Median Income

- A. On August 8, 2008, the Department of Planning and Permitting (DPP) filed a Finding of No Significant Impact (FONSI) for the Project with the Office of Environmental Quality Control. See Exhibit A, Location Map.
- B. On December 3, 2008, the City Council adopted Resolution 08-244 granting a Special Management Area (SMA) use permit for the portion of the Project to which it was applicable.
- C. On August 12, 2010, the Board of Directors of the Hawaii Finance and Development Corporation (HHFDC Board) approved the Developer as an Eligible Developer and the Project for processing under the provisions of Chapter 201H, HRS, including certain zoning exemptions.
- D. On September 22, 2010, the City Council adopted Resolution 10-245, CD1, FD1, authorizing the requested exemptions relating to fees, LUO and park dedication requirements. The Council subsequently adopted Resolution 10-310, amending Resolution 10-245, CD1, FD1 to amend Exemption No. 9 relating to park dedication requirements.
- E. On June 27, 2011, the Developer and HHFDC executed a Development Agreement for the Project. On January 13, 2012, the Declaration of Land Use Restrictive Covenants was recorded with the Bureau of Conveyances as Document No. A-43950961. The Restrictive Covenants govern the use, occupancy and transfer of the property. It sets forth HHFDC Buy-Back restrictions and Shared Appreciation or Equity Program (SAE), which run with

the property and are binding on all subsequent owners, leases, grantees, assignees, mortgagees, lienors, successors and any other person who have or claim to have, an interest in the property.

- F. On September 19, 2011, the DPP issued a Grading Permit and site construction started in April 2012. Site improvements, including utilities, paved areas and landscaping, were completed in March 2013. The Developer completed and closed on the sale of the first two homes in April 2013. Two more homes were completed in August 2013, one of which was sold and one remains unsold.

III. DISCUSSION

- A. By letter dated January 28, 2014 (see Exhibit B), the Developer has requested that the affordability restrictions (i.e., specifically the Buy Back and Shared Appreciation Equity Program) be reduced to the extent that the restrictions are applied to a slight majority (i.e., 13 units) rather than the total units in the project (i.e., 25 units). The Developer's request was the subject of a For Information item discussed at the HHFDC Board meeting on February 13, 2014.
- B. The Developer is experiencing difficulty selling the units and believes that the lack of sales is due largely to the affordability restrictions. The Developer is also facing financial hardships servicing the debt on the interim loans for the Project due to the lack of sales. The Developer has represented that the removal of the buyer restrictions on 12 units would provide the opportunity to sell the parcels at or below the 140% AMI price guidelines and enable him to pay off his debts and construct the remaining affordable units. The Developer believes that the completion of additional units on site would improve marketability and sales. A few developers, contractors, mainland investors, and families who don't meet income restrictions have already expressed interest in buying vacant lots.
- C. The Developer has met with individuals and brokers about selling the Project. All offers were below what has been invested and what is owed. The Developer has also made efforts to increase market exposure, such as listing the Project with three different real estate companies, advertising on Facebook and on HHFDC's website, airing a television video featuring the Project twice a week for six weeks, airing an interview on Hawaii Public Radio, holding regular open houses five days a week, and is currently listed with Coldwell Banker. Finally, he has sought the services of Peter Savio and has approached the Self-Help Housing Corporation of Hawaii without success.
- D. The HHFDC Board's For Action approval of August 12, 2010, as well as the Council Resolution authorizing the zoning exemptions, describe the Project as a for sale project where 100 percent of the units will be affordable to households earning at or below 140 percent of HUD Area Medium Income (AMI). Therefore, any change to the number of units subject to the affordability restrictions would necessitate HHFDC Board and Council approval.
- E. Developer's requested amendment to the previously approved Project proposal has been reviewed and is found to be consistent with the purpose and intent of Chapter 201H, HRS, meeting the minimum health and safety requirements. Furthermore, the request does not contravene any safety standards, tariffs, or rates and fees approved by the Public Utilities Commission for public utilities or the Board of Water Supply authorized under Chapter 54, HRS.

- F. No other changes are requested to the Developer's 201H, HRS. project proposal or exemptions. The requested amended Project proposal continues to meet the requirements approved under Chapter 201H, HRS. and the Hawaii Administrative Rules.
- G. Upon approval by the HHFDC Board, the Chapter 201H, HRS, amendment request and draft resolution will be submitted to the Honolulu City Council for review and approval. The Council has 45 days from receipt of the 201H amendment request to approve, approve with modification, or disapprove the resolution.

IV. RECOMMENDATION

That the HHFDC Board approve an amendment to a Project proposal previously approved under Chapter 201H, HRS, to allow a reduction in the number of units subject to affordability restrictions, substantially as described in this For Action, subject to the following:

- A. Thirteen (13) units shall be subject to all affordability restrictions currently in place. The remaining twelve (12) units (or lots) shall be priced at or below the 140% AMI but not be subject to buyer restrictions (i.e., Buy Back and Shared Appreciation Equity restrictions); however, each lot shall be first offered to qualified residents for a minimum of thirty (30) calendar days pursuant to Subchapter 5 of Chapter 15-307, Hawaii Administrative Rules. Developer's entire sales program shall be subject to HHFDC's review and approval to ensure compliance with HHFDC's Affordable Sales Program Guidelines, as applicable;
- B. Approval by the City Council;
- C. Approval and execution of necessary amendments to the Development Agreement and Declaration of Land Use Restrictive Covenants by the Executive Director and Developer, or other successor in interest entity approved by the Executive Director; and
- D. Compliance with all statutes, rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Attachment: Exhibit A - Location Map
Exhibit B - Developer's Request Letter

Prepared by: Ken Takahashi, Project Manager K.J.

Reviewed by: Richard Praher, Development Branch Chief RP
Approved by The Board of Directors at its meeting
on MAR 13 2014
DEVELOPMENT BRANCH
Please take necessary action.

[Signature]
EXECUTIVE DIRECTOR

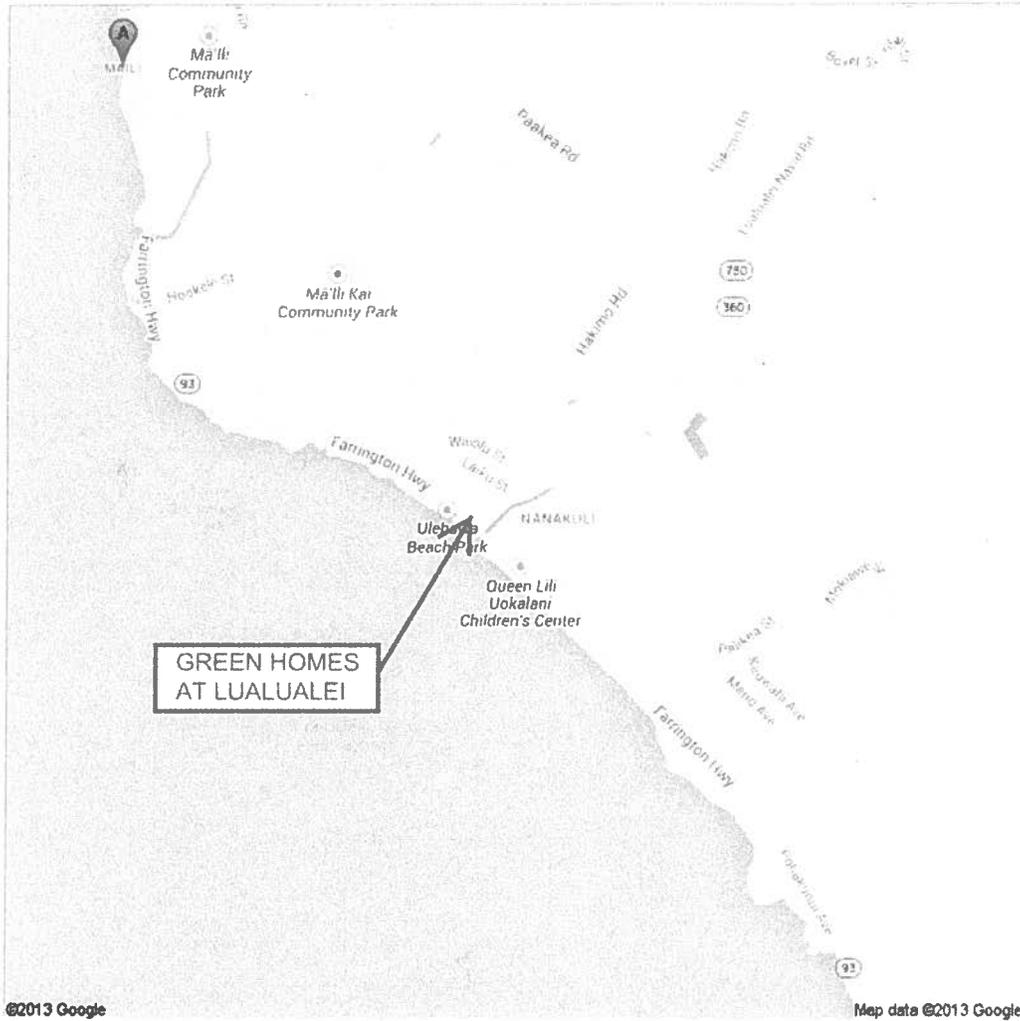


EXHIBIT A

January 28, 2014

To:
Hawaii Housing Finance and Development Corporation
677 Queen St Suite 300
Honolulu, HI 96813

From:
Green Homes at Lualualei LLC
1054 Green St. #503
Honolulu, HI 96822

Regarding:
Reduction/Elimination of Affordable Buyer Restrictions

Dear HHFDC,

Due to financial hardships and slow sales, Green Homes at Lualualei requests that the affordable sales restrictions be lowered to the minimum of 50% plus one, or removed entirely. Here are the reasons why this request is being submitted:

Unable to sell homes to affordable qualified buyers:

- 1) Home #15 (3 bedroom, 2 bath) has been actively marketed through the MLS for well over 180 days (listed date June 26, 2013) and has not sold.
- 2) Next phase of 4 homes (#20, 21, 22 & 24) with sales prices starting at \$329,950 have been actively marketed since Oct. 10, 2013 (over 100 days) and no buyers have applied for these homes.
- 3) Marketing has included: weekly open house, broker's open, bi-weekly facebook posts to over 1,200 followers, and email blasts to over 5,000.
- 4) Close records of all buyer inquiries have been kept and total over 550 to date.
- 5) Listed sales prices are between \$30,000 - \$50,000 below market values.

Financial Hardships:

- 1) First Mortgage \$490,000 (@7.5% interest) with American Savings Bank has been extended 3 times, and they are reluctant to provide any more extensions. Contact Derick Tam 539-7858.
- 2) Second Mortgage \$290,000 (@20% interest) with Funds Manager Gavin Tsuda (383-1215) has provided extensions and wants to be repaid at this time.
- 3) Third Mortgage \$70,000 (@20% interest) with Jeremy Kowalczyk (227-8839) is also seeking repayment at this time.
- 4) Credit Cards debt of approximately \$85,000 @13-21% interest.
- 5) All proceeds from sales have gone to service the debt from the above interest payments.
- 6) Unable to refinance existing debt due to "affordable" restriction." Numerous local lending institutions have been contacted to refinance existing debt, but they refuse because of the "affordable" deed restrictions. Contact Mortgage Broker George Beavin 521-9999.

Sincerely,



R.J. Martin
Manager
Green Homes at Lualualei LLC

EXHIBIT B



Green Homes Update

R.J. Martin

to:

Ken.T.Takahashi@hawaii.gov, Rick Prahler

02/04/2014 02:44 PM

Hide Details

From: "R.J. Martin" <greenhomeshawaii@gmail.com>

To: "Ken.T.Takahashi@hawaii.gov" <ken.t.takahashi@hawaii.gov>, Rick Prahler <richard.k.prahler@hawaii.gov>,

Ken & Rick,

I've had several meetings with DPP and have decided at this point that it is best to request the reduction in affordable unit count down to 50+1%. Thus, rather than an elimination in the affordable requirements, we would be asking for a reduction in the number of affordable units.

Thank you.

Please contact me if you have any questions or need additional information.

Sincerely,

R.J. Martin

Green Homes at Lualualei, LLC.

RS-66346

(808) 723-5541

www.GreenHomesHI.com

Featured on Island Dream Homes TV!

3b / 2b homes from \$329,950