HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, SEPTEMBER 12, 2013
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, September 12, 2013, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

Chair Ralph Mesick called the meeting to order at 9:00 a.m.

Present: Director Ralph Mesick, Chair
Director Paul Kyno, Vice Chair
Director Leilani Pulmano, Secretary
Director Betty Lou Larson
Designee Luis Salaveria for Director Kalbert Young
Designee Mary Alice Evans for Director Richard Lim

Interim Executive Director Janice Takahashi

Excused: Director Michael Ng
Director Allan Los Banos
Director Kalbert Young
Director Richard Lim

Staff Present: Sandy Ching, Deputy Attorney General
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Ann Nakagawa, Fiscal Manager
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Dean Sakata, Housing Finance Specialist
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Christopher Woodard, Property Management Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Mavis Masaki, Planner
Lisa Wond, Planner
Krystal Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Stephen Gelber, Gelber, Gelber & Ingersoll
Bill Rice, Honolulu Affordable Housing Partners (HAHP) Community Housing Partners, L.P.
Paul Patierno, Honolulu Affordable Housing Partners (HAHP) Community Housing Partners, L.P.
Don Herrman, Honolulu Affordable Housing Partners (HAHP) Community Housing Partners, L.P.
Bob Hall, Honolulu Affordable Housing Partners (HAHP) Community Housing Partners, L.P.
Dick Gushman, Honolulu Affordable Housing Partners (HAHP)
Gordon Nelson, City and County of Honolulu
Brian Ancheta, City and County of Honolulu
Michael Hansen, City and County of Honolulu

Pamela Witty-Oakland, City and County of Honolulu Department of Community Services
Catherine Graham, Faith Action for Community Equity (FACE)
Bob Nakata, Faith Action for Community Equity (FACE)
Dan Purcell, Member of the Public
Kamuela Cobb-Adams, Kauai County Housing Agency
Makani Maeva, Vitus Group
Joelle Chiu, Vitus Group
Andy Kazama, CBRE
Andrew Reenders, CBRE
Dave Nakamura, Mutual Housing
Liz Char, Housing Partners LLC
Ed Ontai, Catholic Charities Hawaii Development Corporation
Stacy Sur, Hawaii Housing Finance
Gary Furuta, Coalition for Specialized Housing
Linda Oamilda, Councilmember Fukunaga
Keith Kato, Hawaii Island Community Development Corporation
Marcy Fleming, Kamehameha Schools

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 8/08/13 Regular Meeting

Designee Evans moved, seconded by Director Larson, to approve the Meeting Minutes of August 8, 2013.

Director Larson stated that she was not present at the August 8, 2013 Board Meeting, and asked that the meeting minutes reflect that change.

Director Larson added that she found the overview of the HHFDC programs within the meeting minutes very helpful. Chair Mesick stated that there will be more educational discussions on the various HHFDC programs.

With no further discussion, the motion was unanimously approved as amended.

II. B. APPROVAL OF MINUTES 8/08/13 Executive Session

Action on the Executive Session meeting minutes of August 8, 2013 was deferred to later in the meeting.

Chair Mesick noted that agenda item C, would be deferred to a future meeting and proceeded to item A.

III. A. DISCUSSION AND/OR DECISION MAKING Approve (1) Resolution No. 055, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds and (2) Reservation of Low Income Housing Tax Credits for the Leasehold Acquisition and Rehabilitation of Nine (9) Projects from the City and County of Honolulu Housing

Designee Evans moved, seconded by Vice Chair Kyno, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. Approve Resolution No. 055, attached as Exhibit G, which provides for official intent with respect to the issuance of revenue bonds up to $106,850,000 for the Chinatown Gateway, Chinatown Manor, Harbor Village, Kulana Nani, Manoa Gardens, Marin Tower, West Loch Village, Westlake Apartments, and Winston Hale projects subject to the provisions recommended in Exhibits D and F.

B. Reserve up to $6,714,061 in annual Federal LIHTC and $3,357,030 in annual State LIHTC from the non-competitive pool (4% LIHTC) to the Chinatown Gateway, Chinatown Manor, Harbor Village, Kulana Nani, Manoa Gardens, Marin Tower, West Loch Village, Westlake Apartments, and Winston Hale projects subject to the provisions recommended in

Exhibits E and F. Portfolio

C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Chair Mesick recused himself from voting on this item due to a potential financial involvement with First Hawaiian Bank.

Finance Manager Darren Ueki presented the For Action, providing an overview of the City and County of Honolulu's (C&C's) sale transaction of its twelve (12) projects within the C&C's Housing Portfolio.

The HHFDC will be involved with the financing for the following 9 out of 12 projects: Kulana Nani, Manoa Gardens, West Loch Village, Westlake Apartments, Chinatown Gateway Plaza, Chinatown Manor, Harbor Village, Marin Tower, and Winston Hale. The 9 projects will provide an aggregate amount of 967 affordable units at 60% of the area median income (AMI) and 4 manager's units.

The remaining three projects - Bachelor's Quarters, Kanoa Apartments, and Pauahi Hale, will not be a part of this financing transaction, but shall be transferred and designated for future development.

Under the Hula Mae Multi-Family (HMMF) Bond Program, the HHFDC acts as the conduit for the financing by issuing the tax-exempt revenue bonds; however, the developer or owner requesting such financing is ultimately responsible for all repayment obligations.

Issuance of these bonds require private activity bond cap, with allocated portions being given to the State and Counties on an annual basis. The C&C has elected to give bond cap, covering the $106,850,000 in tax-exempt bonds being requested by the Honolulu Affordable Housing Properties (HAHP) Community Housing Partners, L.P. (Applicant)

Under the Low Income Housing Tax Credit (LIHTC) Program, qualified projects are awarded based on specific requirements and standards set forth within the HHFDC Qualified Allocation Plan (QAP) and other general mandated guidelines being met.

The Applicant is requesting $6,714,061 in annual Federal LIHTC and $3,357,030 in annual State LIHTC from the 4% non-competitive pool.

Total Project Budget costs anticipated are estimated at $215,874,743.

Building permits are anticipated this month, in September 2013, with construction anticipated to start in April 2014, and Project completion in December 2015.

The approval of the Inducement Resolution by the Board may be viewed as "Official Action" being undertaken by the HHFDC, the issuer; however, does not authorize the sale of tax-exempt bonds for the Project or obligated the HHFDC to provide funds to the developer, but rather enables staff to further facilitate discussions and negotiations with all parties to determine the feasibility of financing the contemplated project.

The issuance, sale, and delivery of the bonds are subject to approval by the HHFDC Board, the Department of Budget and Finance, and the Governor.

Mr. Ueki opened for questions.

In response to Designee Evans, Mr. Ueki stated that the estimated construction timeline is in regards to the project rehabilitation that will take place.

In response to Director Larson, Mr. Bill Rice, on behalf of the Applicant, first thanked the HHFDC staff and Board for the opportunity and its review of the proposal. He then stated that in its agreement with the C&C, residents will not be relocated during the rehabilitation period. Furthermore, in pursuit of providing long term affordability and sustainability, the Applicant has committed approximately $45 million to be used towards the affordable housing units, in addition to the $5 million in C&C Rental Assistance Program funding for annual 10% rent increase protection for qualified tenants, U.S. Department of Housing and Urban Development (HUD) enhanced vouchers, and other Section 8 protection options.

In response to Director Larson's subsequent question, Mr. Rice stated that communication was proactively provided in a public-private partnership, with resident meetings timed purposefully during the day for the senior properties, in the evenings for the family properties, and interpreters for the Chinatown properties. Resident meetings resulted in a 40% - 50% turn out. In addition, the C&C also provided a direct phone number for residents to call to have any questions answered.

In response to Designee Salaveria, Mr. Ueki stated that it has been made clear that the HHFDC is strictly operating as a conduit in issuing the bonds and ensuring that the minimum requirements of the LIHTC and HMMF Bond Programs are met. All terms of affordability were worked out between the Applicant and the C&C. In regards of affordability, Mr. Rice added that the Request for Proposal (RFP) of the C&C originally went out with 25% of the Portfolio of units at 60% of the AMI to 80% affordability, the maximum allowable under the RFP.

In response to Director Larson, Mr. Rice clarified that the remaining 20% of the units of the entire Portfolio are market rate units that will be financed outside of the transaction that the HHFDC is involved in. Existing rents of those units have not been raised for a long period of time, but can escalate 10% per year and then set at the going market rate after the fifth year.

Chair Mesick opened for testimonies.

Mr. Bob Nakata, with Faith in Action for Community Equity (FACE), expressed his satisfaction and support in the efforts of the Project getting meeting notices out and reaching out to the people.

Director Larson thanked Mr. Nakata for coming and informing the Board, with FACE being the main advocates for communication and ensuring low income residents are protected.

C&C Director of Community Services Pam Witty-Oakland thanked the Board for facilitating and being the conduit of this transaction, being very appreciative of the opportunity to present and answer any questions.

In response to Designee Salaveria, Ms. Witty-Oakland spoke on what she believed to be the City's intent, which has been sustainability of affordable inventory within the community and to improve the quality of life for its tenants.

Designee Salaveria noted that with the absence of the Private Partnership, who is putting a significant amount of money into the rehabilitation of the project, the burden of the entire funding would have fallen upon the City. Ms. Witty-Oakland concurred.

With no further discussion, the motion was approved, with Chair Mesick abstaining.

A short recess was called at 9:28 a.m. **RECESS** 9:28 a.m.

Chair Mesick called the meeting back to order at 9:36 a.m.

RECONVENED
9:36 a.m.

Designee Salaveria moved, seconded by Vice Chair Kyno, to approve staff's recommendation:

III. B. DISCUSSION AND/OR DECISION MAKING
Approve an Award of Federal and State Low Income Housing Tax Credits from the State's 2012 Volume Cap to Hale Mohalu II Family IV Project Located in Pearl City, Hawaii, TMK No.: (1) 9-7-019-035; Rice Camp Senior Housing Project Located in Lihue, Kauai, TMK Nos.: (4) 3-6-004:009 and (4) 3-6-009:001; and Kolopua Project Located in Princeville, Kauai, TMK No.: (4) 5-4-024:020

That the HHFDC Board of Directors approve the Award of Federal and State LIHTC to the following Projects in accordance with the QAP and subject to the conditions specified in Exhibit H of this For Action.

A. The Hale Mohalu II Family IV project.

1. Allocation of up to $1,085,006 of annual Federal and $542,503 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

a) The Developer's Fee, Overhead, and related costs of this project does not exceed $1,275,000.

B. The Kolopua project.

1. Allocation of up to $975,000 of annual Federal and $487,500 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

a) The Developer's Fee, Overhead, and related costs of this project does not exceed $1,881,067.

C. The Rice Camp Senior Housing project.

1. Allocation of up to $943,941 of annual Federal and $471,970 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:

a) The Developer's Fee, Overhead, and related costs of this project does not exceed $1,670,310.

D. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

In response to Director Larson, Deputy Attorney General Sandra Ching confirmed that no recusal is necessary if associated with a project that is not being funded.

With that clarification, Mr. Ueki presented the For Action, stating that there is an annual limit on the amount of LIHTC that can be allocated by each State.

This year, the HHFDC has approximately $3.13 million in Federal LIHTC and $1.57 million in State LIHTC to be allocated.

A total of nine (9) LIHTC applications were received by the June 28, 2013 deadline, requesting $8,533,476 in Federal LIHTC and $4,266,736 in State LIHTC.

The applications were evaluated against the criteria and guidelines of the 2013 QAP, along with other relevant factors, which all projects met. However, due to the limited amount of LIHTC available and scoring results, LIHTC awards are being recommended for the Hale Mohalu II Family IV, Kolopua, and Rice Camp Senior Housing.

If approved, the remaining balance of the 2013 LIHTC allocation will be

$128,757 in Federal LIHTC and $64,378 in State LIHTC, of which staff is recommending to carryover to its 2014 LIHTC allocation.

Mr. Ueki opened for questions, introducing Ms. Makani Maeva, on behalf of housing projects Kolopua and Rice Camp, and Mr. Gary Furuta, on behalf of the Hale Mohalu project.

In response to Director Larson, Ms. Maeva clarified that having two general partners is a typical structure and that all project decisions will be made together with the General and Limited Partnerships.

Designee Salaveria asked to hear more about the projects from its representatives.

In response to Designee Salaveria, Ms. Maeva, together with County of Kauai Housing Agency Director Kamuela Cobb-Adams, summarized project details, and noted the following:

1. Rice Camp Senior Housing is a two-story, 60-unit senior project, with rents currently set at 40% of the AMI, and will include a community center, management office, garden plots, and is within walking distance to senior care facility services.

2. The County of Kauai is proposing a 35-year lease. However, ultimately the final decision will be at the discretion of the City Council, which has been very supportive.

3. Rents are fair in comparison to its surroundings.

4. Project timeline is being finalized with construction anticipated to commence in January 2014.

5. Kolopua consists of eleven (11) two-story fourplexes for families.

6. Shopping Center owner has an obligation to develop affordable housing in order to expand its shopping center, contributing 3 ½ acres for the development of the project, which will be connected to the expanded shopping center, receiving the benefits of the Princeville facilities, such as the library and recreation areas.

7. Housing will be primarily for employees at Princeville, who cannot afford housing within that area.

8. At the end of the affordability period of 61 years, the property will be given to the County of Kauai, who will then lease the land back to the General Partner (Kolopua Management LLC and Hui Kauhale, Inc.) to continue as affordable housing.

9. Rents are currently set at 50% of the AMI, with a mix of 1, 2, and 3 bedrooms.

Vice Chair Kyno stated that both of these projects are great and is well needed in Kauai.

In response to Director Pulmano, Ms. Maeva stated that the project will be first marketed to the human resources departments of the large hotels to determine the interest and get people on the list.

Director Larson asked in the event of great demand, would there be a lottery or priority for those commuting. Ms. Maeva stated that once its survey results are completed, marketing preferences will be determined.

In response to Director Larson, Ms. Maeva stated that rents are competitively low.

Designee Salaveria stated that perhaps the change in its allocation of HOME Investment Partnership (HOME) funds has proven to be successful in terms of its intent to increase unit mass.

In response to the Board, Mr. Gary Furuta, on behalf of the Hale Mohalu II Family IV project noted the following:

1. The project is a seven-story building consisting of 84 units, targeting 60% and below the AMI.

2. A substantial amount of HOME Community Housing Development Organization (CHDO) financing from the City has been received; however, LIHTC and Rental Housing Trust Fund (RHTF) were noted to be the critical link of the development financing.

3. Project design and building permits have been submitted, with vertical construction pending.

Chair Mesick opened for questions.

Mr. Dan Purcell, member of the public, asked on the serious consideration in the designs of these buildings in providing people of low income with excellent ventilation and energy efficiency.

In response to Mr. Purcell, Mr. Furuta stated that installation of retrofitting photovotaics (PV), PV roofed car ports, and energy efficient appliances are almost completed in every project, which should considerably reduce electricity bills. Ms. Maeva added that their projects also have PV, as it is planned for the Kolopua and Rice Camp projects as well. Furthermore, Mr. Ueki stated that energy efficiency is one of the criteria that is scored within the QAP of the HHFDC.

Director Larson asked if the electric was included within the project rents. Mr. Furuta stated that electricity is included in its senior projects, whereas in its family projects, tenants pay for their own. Ms. Maeva stated that in her projects residents currently pay for their own electricity; however, ways to reduce the tenants' electricity bill is continuously being sought - whether through LEED Silver and Gold, solar hot water, or PV.

With no further testimony or comments, Chair Mesick stated that the Corporation has rearranged its scoring system in hopes of getting as many projects done with the limited resources it has, which he felt was accomplished by the outcome of projects presented today. Mr. Ueki concurred, stating that from a staff perspective, the current QAP has met the direction guided by the board - it is not perfect, but is a step in the right direction.

With no further discussion, the motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Authorize: (1) Real Estate Consultant to Proceed with the Marketing and Promotion of a Public-Private Partnership for a Long-Term Leasehold Interest in the

Agenda item C was deferred to a future meeting.

Six Projects Comprising the Hawaii Rental Housing System Revenue Bond Program Portfolio; and (2) Engagement of Legal Counsel to Provide Specialized Legal Expertise

III. D. DISCUSSION AND/OR DECISION MAKING
Information on the Consolidated Annual Performance and Evaluation Report for Program Year 2012 (July 1, 2012 – June 30, 2013)

Planner Lisa Wond presented the For Information, stating that the State Consolidated Annual Performance and Evaluation Report (CAPER) is required by HUD. It assesses the State's performance in administering the HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs, and includes performance on Rounds 1 and 3 of the Neighborhood Stabilization Program (NSP).

The HHFDC administers the HOME and NSP programs, while the Department of Human Services – Benefits, Employment and Support Services Division (DHS-BESSD) administers the ESG and HOPWA formula grant programs.

In Program Year 2012, the HHFDC started an annual rotation of its HOME allocation between the Counties of Hawaii, Kauai, and Maui, intended to improve the State's administration and maximize efficiency of the HOME program.

The ESG and HOPWA programs are targeted to assist individuals and families who are living on the streets or in shelters, to fund and maintain permanent housing.

Activities for each program were cited.

Ms. Wond noted a correction on page 5, under section D, HOPWA Program, that all references to "HPHA" be changed to "DHS-BESSD," and opened for questions.

Designee Evans referenced the Output Goals column in Table 2: Comparison of ESG Goals and Accomplishments. Ms. Wond stated that DHS does a good job of administering all of their funding for the ESG and HOPWA programs, noting that the Output Goals column represents annual projected numbers given at the beginning of the 5-year period.

Director Larson asked about those who were not meeting its Output goals within the HOME program. Ms. Wond clarified that numbers within the CAPER are updated annually and therefore, take a while to reflect in terms of actual unit numbers completed. However, one of the reasons for the HOME goal shortfall is due to the unexpected cancellation of two affordable rental projects in the County of Maui.

With no further discussion, Chair Mesick proceeded to the Report of the Executive Director.

IV. REPORT OF THE EXECUTIVE DIRECTOR

With no questions on the Executive Director Reports, Interim Executive Director Janice Takahashi asked for clarification on the approval of the May 9, 2013 For Action, transferring ownership of Kamaaina Hale to the University of the Nations, asking if it was the understanding of the Board that (1) the transaction would only proceed if Kamehameha Schools released HHFDC from all liability and obligation under the lease; or (2) release from liability under the lease would be something desired and to be asked for, but not necessarily required in moving forward.

The Board discussed their recollections.

In response to Deputy Attorney General Sandy Ching, Interim Executive Director Takahashi concurred that there were no conditions made to the motion passed.

In response to Director Pulmano, Deputy Attorney General Ching stated in her experience, most landlords very seldom release the original lessee.

Interim Executive Director Takahashi asked Asset Manager Stuart Kritzer on the current status of the transaction. Mr. Kritzer reported that the University of the Nations has reviewed and accepted the terms of the Regulatory Agreement and Purchase and Sales Agreement. Once signed and executed, the Agreements would then be submitted to Kamehameha Schools for their review and decision.

In response to the Board, Mr. Kritzer stated that rehabilitation is anticipated to commence as scheduled.

Development Branch Chief Rick Prahler introduced Ms. Marcy Fleming, from Kamehameha Schools.

Ms. Fleming stated that it has been made clear to the University of the Nations that Kamehameha Schools would continue to honor the terms of the lease. Agreement documents have been received with the concern being with the call for release. However, the documents are currently being further reviewed by its counsel.

With that said, Deputy Attorney General Ching stated that if the HHFDC will be contingently held liable, then another review by Mr. Kritzer, Procurement Specialist Krystal Tabangcura, and herself, of the draft Agreement documents be done to ensure expectations of the Corporation are clearly stated.

Chair Mesick stated that as long as the Corporation is reasonably certain we can manage the risk that we will contingently have, he did not see any reason not to proceed with the transaction.

Interim Executive Director Takahashi noted that the HHFDC received a letter from the University of the Nations responding to concerns expressed from area Legislators regarding units being provided for University students and employees. We have assurances that units will be filled off of a waiting list on a first-come, first-served basis. Also, unit vacancies will be advertised and the project will not be used for student housing.

In response to Designee Evans, Mr. Kritzer clarified that there will be no displacement of tenants due to the fact that the 68 units have been vacant since its previous asbestos issue.

In reference to the Exhibit A, HHFDC Program Resources report, page 3 of 5, RHTF, Conveyance Tax Collections, Director Larson noted that the approximate $16.4 million in conveyance taxes received is good news.

With no further discussion, Chair Mesick asked for a motion to proceed into Executive Session.

V. EXECUTIVE SESSION

Designee Evans moved, seconded by Director Larson to convene in Executive Session at 10:34 a.m., to discuss personnel matters related to hiring of the new Executive Director, pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4).

The motion was unanimously approved.

II. B. APPROVAL OF MINUTES 8/08/13 Executive Session

The Board convened in Regular Session, with Chair Mesick announcing the approval of the August 8, 2013 Executive Session Meeting Minutes.

VI. ADJOURNMENT

With no further discussion, Director Larson moved, seconded by Designee Evans, to adjourn the meeting at 10:58 a.m.

The motion was unanimously approved.

LEILANI PULMANO
Secretary