

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT NO. 1 CAPITOL DISTRICT, HEMMETER BUILDING, 250
SOUTH HOTEL STREET, CONFERENCE ROOM 436,
ON THURSDAY, OCTOBER 10, 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 No. 1 Capitol District, 250 South Hotel Street, Conference Room 436, Honolulu, Hawaii, 96813, on Thursday, October 10, 2013, at 9:00 a.m.

Chair Ralph Mesick called the meeting to order at 9:01 a.m.

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

Interim Executive Director Janice Takahashi

Excused: Director Kalbert Young
Director Richard Lim

Staff Present: Sandy Ching, Deputy Attorney General
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Ann Nakagawa, Chief Financial Officer
Stuart Kritzer, Asset Manager
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Dan Purcell, Public

A quorum was present.

Designee Evans moved, seconded by Director Larson, to approve the Meeting Minutes of September 12, 2013.

With no further discussion, the motion was unanimously approved.

No action was taken on this item.

Designee Evans moved, seconded by Director Larson, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

A. The Approved Project List for the FY 2013 funding round for Project Awards, subject to the following provisions and conditions:

**CALL TO
ORDER/
ROLL CALL**

QUORUM

**II. A.
APPROVAL
OF MINUTES**
9/12/13
Regular
Meeting

**II. B.
APPROVAL
OF MINUTES**
9/12/13
Executive
Session

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Adopt the Approved
and Rejected List for
the Rental Housing

1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
 2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
 3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHTF program;
 4. The amount of an award is subject to availability of RHTF Program funds;
 5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
 6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
 7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
 8. The applicants agree to abide by all terms and conditions that may arise due to the use of public funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Rental Housing Trust Fund (RHTF) applications received are reviewed, scored, and placed into a two-tier priority ranking.

Tier 1 consists of projects that have received other financing such as HOME Investment Partnership Program, Community Development Block Grant HUD funds, or Low Income Housing Tax Credits (LIHTC); all other projects are placed in Tier 2. Projects awarded LIHTC are moved into Tier 1 when the LIHTC are awarded.

Project details and recommendations for projects awarded will be provided for Board approval at a future date.

The Approved List will remain in effect until all awards are made or until another list is approved, which is typically on an annual basis.

In response to Director Larson, Mr. Ueki stated that priorities for Tier 1 and 2 funding are set by state statute and not by federal statute.

In regard to the loan terms, Mr. Ueki stated that discussion with the Finance Subcommittee, hopefully within the next few weeks, is planned before moving forward with the RHTF project awards.

In response to Director Larson, Chair Mesick stated that discussions of the Finance Subcommittee have evolved around keeping the flexibility of a low interest rate, but also ensuring that when state resources are invested in projects, particularly if the state puts up essentially all of the capital, the state should receive adequate compensation when such projects are sold at the end of their compliance period; avoiding the buying back of projects.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

In response to Designee Evans, Mr. Ueki stated that changes are anticipated towards the structuring of the loan terms rather than the priorities of the financing tiers.

With no further discussion, the motion was unanimously approved.

Director Pulmano arrived after the vote was taken.

Director Larson moved, seconded by Designee Evans, to approve staff's recommendation:

That the HHFDC Board of Directors approve the following:

- A. A 3-year extension of the Rental Assistance Contract to the Hilo Maile Terrace Partners for the Hilo Maile Terrace project through October 31, 2016; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Mr. Ueki presented the For Action, stating that the Hilo Maile Terrace (Project) was approved LIHTC with an affordability period of 30 years and a 15-year Rental Assistance Program (RAP) fund commitment of up to \$842,400 (\$195 subsidy per unit for household incomes that do not exceed 80% of the area median income).

The total RAP payments as of September 2013, amounted to \$662,033; leaving a remaining balance of \$180,367 on the initial 15-year period balance of the \$842,400.

With a current balance of \$10.6 million in RAP funds, the HHFDC would be able to provide RAP subsidies for approximately 3 ½ years based on a maximum payout of \$2.9 million or 5 ½ years based on 57% of the total maximum.

In July 2013, the Hilo Maile Terrace Partners requested an extension to their Rental Assistance Subsidy Contract through October 31, 2022; however, staff is recommending approval for a three-year extension (October 31, 2016) based on the remaining balance of \$180,367 on the initial 15-year period amount.

Staff remains sensitive to RAP extensions because there is not enough money in the program to fund current commitments. Staff obtains the approval of the Director of Finance.

With no further discussion, the motion was unanimously approved.

Chair Mesick proceeded to the Report of the Executive Director.

Interim Executive Director Janice Takahashi noted the following corrections to Exhibit A, the HHFDC Program Resources report:

On page 1, the Uncommitted DURF Funds Available and Board Approved Project Commitments should reflect a positive \$12,956,107.32 amount and therefore, parentheses should be removed.

On page 5, clarification, on the total dollar amount of Applications submitted for the FY13-01 Round is \$77,534,866; however, if only the higher amount of the two options for Ewa Homes III L.P. and Ola Ka 'Ilima Artspace Lofts, LLLP are included, the total would be \$70,405,794, which is the amount reflected within the For Action table of agenda item A.

Interim Executive Director Takahashi continued, reporting that the advertising of the Senior Residence at Iwilei was published within the Sunday's paper, showing

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve a 3-year Extension Through October 31, 2016 of the Rental Assistance Contract to the Hilo Maile Terrace Partners For the Hilo Maile Terrace Project, Located in Hilo, Hawaii, TMK No.: (3) 2-2-053:008

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

a lot of interest. Leasing is anticipated to commence before March 2014.

In reference to the Finance Branch Status Report, page 3, Mr. Ueki responded to Director Larson, stating that the LIHTC projects awarded last year have made great strides forward, with required expenditure reports in progress.

In response to Director Larson, Interim Executive Director Takahashi referenced Exhibit C, noting that staff has been working with the Hawaii Interagency Council on Homelessness and Senator Chun Oakland with questions regarding the RHTF and conveyance tax. Staff will be meeting with the Governor's Office at 11:00 am today, to discuss its proposed bills and supplemental budget requests, which includes a RHTF infusion of \$10 million in General Obligation bonds, \$7.8 million for the LIHTC Loan program, and a general fund appropriation request for the replacement of computer equipment.

In response to Chair Mesick, Interim Executive Director Takahashi stated that although a general fund appropriation is highly desired for the computer equipment needed, an alternative funding source would be the Dwelling Unit Revolving Fund and/or the Housing Finance Revolving Fund.

Director Larson asked for clarification on the LIHTC program loan. Interim Executive Director Takahashi stated that the LIHTC program is a state program. The state LIHTC is equal to 50% of the federal LIHTC; however, with the crash of the credit market, holders of the tax credits had difficulty in syndicating or selling the tax credits. Mr. Ueki added that under this program, holders of the credit were guaranteed a set amount, in the form of a loan (not to exceed the length of the affordability period) to avoid jeopardizing the equity provided from the federal credits.

With no further discussion, Chair Mesick asked for a motion to go into Executive Session to discuss personnel matters related to the hiring of the executive director, pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4).

Designee Evans moved, seconded by Director Pulmano, to convene in Executive Session at 9:23 a.m.

The motion was unanimously approved.

The Board reconvened into Regular Session at 12:43 a.m.

With no further business on the Agenda, Director Pulmano moved, seconded by Director Los Banos, to adjourn the meeting at 12:44 p.m.

The motion was unanimously approved.


LEILANI PULMANO
Secretary

V.
EXECUTIVE
SESSION
9:23 a.m.

RECONVENED
12:43 a.m.

VI.
ADJOURNMENT
12:44 p.m.