

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, APRIL 10, 2014
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, April 10, 2014, at 9:00 a.m.

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

**CALL TO
ORDER/
ROLL CALL**

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

Executive Director Craig Hirai

Excused: Director Allan Los Banos
Director Kalbert Young

Staff Present: Sandy Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
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
Elaine Goma, 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: Harrison Rue, City & County Transit Orient Development
Katia Balassiano, City & County DPP – TOD Program
Ann Bouslog, Forest City
Pieter Heres, Kamaaina Hale/University of the Nations
Marcy Fleming, Kamehameha Schools
Dan Purcell, Member of the Public

A quorum was present.

QUORUM

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Designee Salaveria moved, seconded by Vice Chair Kyno,

That the minutes of the Regular Meeting held on March 13, 2014 be approved as circulated.

The motion was unanimously approved.

Chair Mesick deferred Item A to later in the meeting.

Development Section Chief Stan Fujimoto presented the For Information, stating that in September 2013 the National Park Services (NPS) petitioned the State of Hawaii Commission on Water Resource Management (Commission) to designate the Keauhou Aquifer as a ground water management area, pursuant to Section 174C-41(a), Hawaii Revised Statutes, in which the Commission has 60 days to decide whether to proceed with the NPS' petition or not, or extend its review.

In October 2013, the Commission elected to extend its review (through December 2014). If the Commission elects to proceed with the NPS' petition, the Commission will have 90 days to hold a public hearing and decide whether it's going to designate the aquifer as a ground water management area, or not.

The NPS' petition is based upon a 'potential future threat' rather than 'scientific investigations and research' and claims that withdrawals of water from up-gradient wells for future development in Kona within the Keauhou Aquifer System Area (Keauhou Aquifer) will negatively impact the anchialine ponds and Native Hawaiian practices at the Kaloko-Honokohau Park along the Kona Coast.

The HHFDC's Kamakana Villages at Keahuolu project (Kamakana Villages) is located within the area of the Keauhou Aquifer. If the Commission should designate this area as a ground water management area, the potential impact to the Kamakana Villages will be suspension of development and significant delay because every user of water within the Keauhou Aquifer will be required to obtain a water use permit and existing uses will need to be established before new uses are approved, and applications will be subject to a contested case hearing process.

Landowners in the area are claiming that there is no evidence that there is an existing threat; however, if the NPS' petition is denied by the Commission, the NPS could seek recourse in Federal Court.

Ms. Ann Bouslog, with Forest City, was introduced and available for questions.

Chair Mesick asked about possible ways the HHFDC Board and staff could help to mitigate the impacts and if there were any discussions with NPS that would lead to an agreement or resolution.

Mr. Fujimoto stated that no discussions in past meetings with the NPS have satisfied their concern, which has resulted in the petition currently being investigated by the Commission. Ms. Bouslog added that there are a number of groups (e.g., The Kona Community Action Committee, Hawaii Leeward Planning Commission, County, etc.) that have expressed their concerns and have data that support there is no threat to the aquifers, including the monitoring well of the

II. A.
APPROVAL
OF MINUTES
3/13/14
Regular
Meeting

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Information on the
Transit Oriented
Development Program
by the Department
of Planning and
Permitting of the
City and County of
Honolulu

III. B.
DISCUSSION
AND/OR
DECISION
MAKING
Information on the
National Park
Service's Petition to
the State of Hawaii
Commission on Water
Resource Management
to Designate the
Keauhou Aquifer
System Area as a
Ground Water
Management Area and
its Potential Impacts
to the Kamakana
Villages at Keahuolu
Project Located in
Keahuolu, North Kona,
TMK Nos.:
(3) 7-4-021: 020, 024,
to 046

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Kamakana Villages, which shows that the flow of the ground water goes out to the ocean without affecting the ponds. The HHFDC Board and staff could help by speaking to the Commission members and raising its concerns on the matter. Correspondences from various groups would be made available upon request for the Board and staff to review.

Director Larson asked if the various testimonies and findings were to be provided to the Commission. Ms. Bouslog stated that she has not been involved with the Commission, but has been told that the Commission does its own studies.

Vice Chair Kyno asked who the ultimate decision maker is. Ms. Bouslog stated that it would be the Commission. If the Commission should choose to accept NPS' petition the development with the Kona area would be delayed approximately 3-5 years with real estate being shut down approximately 6-7 years.

Director Pulmano suggested that Mr. David Brock, a prominent ground water expert, be contacted and used as a resource. Ms. Bouslog stated that she would look into it.

Chair Mesick stated the Board is concerned about the environment; however, at the same time, hopes people will take a more prudent approach than having everything shut down.

Director Larson asked if there were other ways to efficiently increase and protect the aquifers. Ms. Bouslog stated that the issue is not a shortage on water, but rather the impact on the quality of the water at the National Park, which evidence shows, will not be affected long term.

Mr. Harrison Rue, Program Administer of the City and County Transit Oriented Development (TOD) and Community Building Program, provided an overview of the City's TOD vision and planning principles. He highlighted the characteristics of the draft neighborhood TOD plans for the various transit stations and described the implementation and housing strategies.

Mr. Rue noted that based on the numbers, there needs to be more focus on rental than owner-occupied housing. Additionally, the City may probably focus on smaller required affordable housing percentages in every development in the TOD areas, but in a lower AMI across more projects and a longer affordability period.

Each draft plan covers multiple stations, taking roughly 12 – 18 months to complete. The plans address land use, circulation, urban design, housing, community facilities, parking, pedestrian amenities, historic and cultural enhancements, and desired and necessary public investments. Draft TOD plans for 14 out of 21 station areas is completed.

From the completed plans, new zoning regulations will be adopted for the station areas - East Kapolei, Waipahu, Aiea-Pearl City, Aloha Stadium, Airport, Kalihi, Downtown, Hawaii Community Development Authority Jurisdiction, and Ala Moana.

The City's TOD program plans continue to include much public involvement and technical analysis before going to the City Council for approval.

The Urban Land Institute's PowerPoint presentation would be made available upon request for the Board's review.

A bill is pending City Council approval, which allows property owners within a quarter mile of the rail station to negotiate zoning.

All information presented and more, can be found online at www.todhonolulu.org or on Facebook. Postcards with TOD's website address were distributed to the Board members.

III. A. DISCUSSION AND/OR DECISION MAKING
Information on the Transit Oriented Development Program by the Department of Planning and Permitting of the City and County of Honolulu

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A TOD staff meeting is scheduled for tomorrow in collaboration with the HHFDC to look at maps and discuss potential sites and projects.

Chair Mesick commented that HHFDC has certain capabilities that need to be recreated and encouraged that both the City TOD program and HHFDC work towards coordinating requirements for new or existing financing funds to avoid having different sets of applications that make it difficult for developers to coordinate all its funds.

Director Lim asked about economic development and whether the City foresees a diffusion of the economic base around the transit stations. Mr. Rue stated that currently 40% of the jobs on Oahu are within a mile of the trans stations and based on PRP's study, it is predicted that by 2050, 80% of jobs will be generated due to the rail.

Mr. Rue asked for a meeting to be scheduled with Director Lim and his team to further discuss concerns and underlying assumptions on models presented.

In reference to affordable housing, Director Larson asked on how the TOD plans to address the balancing of lower area median incomes. Mr. Rue stated that anything below 80% of the AMI would require some form of subsidies. However, hypothetically, the TOD is looking at a formula of 15% - 20% of units being at the 80% - 120% AMI range, having multiple options; with off-site developments requiring more. Further discussions on the matter were requested, asking HHFDC to possibly provide its expertise on the draft review.

Director Pulmano asked about the State's participation in terms of comprehensive zoning with the various TOD's. Mr. Rue stated that each plan consists of zoning recommendations from its consultants with concurrences from participating State agencies. However, the TOD continues to do its due diligence in hopes of getting the zoning right.

Mr. Dan Purcell, member of the public, asked about the State Legislators' perception of the State's lack of involvement in the TOD planning process. Mr. Rue stated that everyone could do better in participating in the planning process; however, reports of specific meetings have been provided to Legislators, which include the various agencies that the TOD have been working closely with.

When asked by Director Larson on how the TOD process will interact with the 201H, Mr. Rue deferred, noting his lack of knowledge on the subject, but stating that further discussions on the matter are to be addressed at tomorrow's meeting, led by Ms. Kathy Sokugawa, Chief Planner of the City's Department of Planning and Permitting.

With no further discussion, Chair Mesick recessed the meeting at 10:17 a.m.

RECESS
10:17 a.m.

Chair Mesick reconvened the meeting at 10:30 a.m. and proceeded to item C.

RECONVENED
10:30 a.m.

Designee Salaveria moved, seconded by Director Pulmano,

That the HHFDC Board of Directors approve the request to amend the May 9, 2013 For Action, authorizing the Executive Director to proceed with the transfer transaction under a sublease framework.

III. C.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Amendment to the May 9 2013 For Action, Approving the Transfer of Ownership of the Kama'aina Hale Housing Project Located at 78-5837 Kuakini Highway, Kailua-Kona, Hawaii,

Asset Manager Stuart Kritzer presented the For Action, stating that subsequent discussions from the September 12, 2013 Board Meeting directed staff to re-evaluate alternatives to effectuate a transfer and minimize the risk of not being able to foreclose and regain ownership of the property in the event of default by the University of the Nations (UOTN) in addition to its financial liability of its Master Lease.

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As a result, the HHFDC proposed a Sublease Agreement to the UOTN as an alternative to Assignment of the Lease, which has been agreed upon. An Indemnity Agreement is also being offered by the UOTN defending and indemnifying HHFDC from any liability arising out of any breaches of the Sublease Agreement by UOTN.

The Purchase and Sale Agreement, Sublease Agreement, and the Indemnity Agreement have been finalized and approval from the Kamehameha Schools is not required under the sublease transaction.

Mr. Pieter Heres, from UOTN, and Ms. Marcy Flemings, from Kamehameha Schools, were introduced and available for questions.

Deputy Attorney General Sandy Ching noted concurrence with staff's change in concept through a sublease framework to allow HHFDC more control in the event of default.

With no further discussion the motion was unanimously approved.

Chief Financial Officer Ann Nakagawa covered the HHFDC Audited Financial Statements of cash flow, broken down by the following activities of each fund: operating, non-capital financing, capital related financing, and investing.

In response to Designee Salaveria, Ms. Nakagawa stated that a primary part of the \$1.78 million amount under the Dwelling Unit Revolving Fund is contributed to the annual payment from the Department of Hawaii Home Lands.

Chair Mesick asked if the HHFDC sets aside monies for maintenance of its projects. Ms. Nakagawa stated that there is an existing reserve fund of about \$7 million, as required by the bond indenture. In most cases, there is no excess revenue collected from the tenants for the reserve fund and therefore, repair monies come out of rents or excess cash collected from past years.

In response to Director Larson, Ms. Nakagawa stated that HHFDC is keeping up with its daily repairs for its projects. Currently, there is \$26 million in cash held by the Trustee, which includes the \$7 million of reserve funds. Mr. Kritzer stated that the total amount of repairs for each of the six buildings is approximately \$9 million.

There was discussion on the performance of existing property managers in comparison to the private sector and challenges the HHFDC has in figuring out how to keep up with the maintenance of its projects and how to be more efficient in operating its units.

In reference to the Single Family Bond Fund, Chair Mesick asked about the expected position of the program within the next year. Finance Manager Darren Ueki stated that staff is putting a plan together, looking to be in a position to issue bonds and other means of raising capital. Such alternative options will be presented to the Board within the upcoming months.

Director Lim commented that by going in and out of the market, one loses its ability to deploy its funds effectively. Mr. Ueki stated that is something that staff has learned and therefore, looks to finding a mechanism that allows the HHFDC to be in the market on a continuous basis, with proceeds to do continuous lending without being reliant upon bond issuances, perhaps by utilizing the wealth of its program.

Director Lim stated that it would be helpful to see an overall plan of the Hula Mae Single Family Mortgage Program with the various financing and deployment factors.

Ms. Nakagawa asked that any other areas of the financials the Board wishes to be

TMK No.:
(3) 7-5-009: 057, to the
University of the
Nations; Making a
Change to a Sublease
Framework

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

Review of the Hawaii
Housing Finance and
Development
Corporation Audited
Financial Statements

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educated on be brought to the attention of Executive Director Hirai.

Executive Director Hirai asked if the Board would be interested in going over the salient footnotes of the Financial Statements. Chair Mesick concurred, suggesting that staff also start looking at where we want to be with the different funds from a planning perspective to the extent where the HHFDC is efficient and sustainable.

In response to Mr. Purcell, member of the Public, Mr. Kritzer stated that the HHFDC properties do not have tenant associations in place like the Hawaii Public Housing Authority, but rather handles issues as they come up.

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

Executive Director Hirai stated reported that the HHFDC's two administration bills are alive in one form or another.

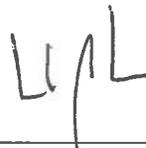
With no further discussion, Chair Mesick asked for a motion to adjourn.

Designee Salaveria moved, seconded by Director Larson, to adjourn the meeting at 10:58 a.m.

The motion was unanimously approved.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**VI.
ADJOURNMENT**



LEILANI PULMANO
Secretary