

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, JUNE 12, 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, June 12, 2014, at 9:00 a.m.

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
Director Kalbert Young
Director Michael Ng
Designee Mary Alice Evans for Director Richard Lim

Executive Director Craig Hirai

Excused: Director Richard Lim
Director Allan Los Banos

Staff Present: Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Praher, 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
Lorraine Egusa, Budget Analyst
Lisa Wond, Planner
Krystal Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Chuck Patterson, Cloudbreak Hawaii, LLC
Colin Kippen, Hawaii Interagency Council on Homelessness Chair
Diana Huynh, Office of Senator Chun Oakland

A quorum was present.

Director Larson moved, seconded by Director Pulmano,

That the minutes of the Regular Meeting held on May 8, 2014 be approved as circulated.

The motion was unanimously carried.

CALL TO
ORDER/
ROLL CALL

QUORUM

II. A.
APPROVAL
OF MINUTES
5/8/14
Regular
Meeting

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Director Larson moved, seconded by Director Pulmano,

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated December 13, 2011, for the RHTF Loan for the Hale Uhiwai Nalu Additional project to December 31, 2014, subject to the requirements as set forth in the For Action dated December 8, 2011; 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 Cloudbreak Hawaii, LLC (Applicant) is requesting for an extension to its Rental Housing Trust Fund (RHTF) Letter of Intent (LOI) for the proposed 50 studio units (Addition) targeted for families, in addition to the existing 80 units. This extension will allow more time to finalize its loan documents and project budget for the Hale Uhiwai Nalu Project.

Construction of the Addition is anticipated to start in August 2014, with project completion anticipated in August 2015.

A \$450,000 grant from the Federal Home Loan Bank of Seattle was awarded to the Applicant, which will be utilized to cover increases incurred from previous setbacks in financing and land.

Staff will work with the Applicant to update and finalize its project budget.

Mr. Ueki apologized and noted a correction to be made to the Property Manager's name on page 2 of the For Action, to read Chuck Patterson.

Mr. Ueki further noted for the record that this correction also be made to previously approved For Actions dated December 8, 2011, June 13, 2013, and December 12, 2013.

Designee Evans asked if the LOI would only apply to the Addition and not the 80 units. Mr. Ueki clarified that the 80 units are existing and complete; therefore, the LOI would only apply to the Addition.

With the targeted population being "family," Designee Evans asked for clarification whether the studios would be for veteran families or those associated with the veterans. Mr. Ueki explained that projects typically fall within "family" (being one or more) or "elderly/senior." Although, the 130 units are typically for individuals, families are eligible.

Director Larson asked how the veterans would be able to afford the higher rent units of the Addition with no subsidies in comparison to that of the existing 80 units with Vash Tenant Subsidy. Mr. Patterson explained that the project is not a project based vash; however, those with a vash voucher would qualify for Section 8, paying no higher than 30% of their income.

Director Larson asked about the expected range of VASH vouchers for those coming into the Addition. Mr. Patterson stated that about half of the tenants are anticipated to have VASH vouchers.

Designee Evans asked about the interest set on the RHTF loan. Mr. Ueki stated that this is an old loan; however, does fall in favor to what the Board is looking for at 4% interest, being amortized over the the period of the loan (30 years). Payments are anticipated to be approximately \$270,000 per year.

Vice Chair Kyno commented that he believed this project to be a great addition to what the Applicant has already done with its existing 80 units.

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

Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Uhiwai Nalu Addition Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-013: 054

Chair Mesick recused himself from voting due to his association with First Hawaiian Bank.

The motion was carried, with one recusal made by Chair Mesick.

Planner Lisa Wond stated that this For Action seeks the approval of a revision to the Annual Action Plan approved at the May 8, 2014 Board Meeting, to identify and include an eligible HOME Community Housing Development Organization (CHDO) activity.

HHFDC has until June 22, 2014 to identify a CHDO activity for inclusion in the PY 2014 Annual Action Plan.

HHFDC issued a statewide request for interest (RFI) on May 30, 2014 and received applications from the Ko'oloa'ula Phase II Project located in East Kapolei, Oahu and the Kamakoa Mutual Self-Help Housing Phase I Project located in Waikoloa, Hawaii.

An Evaluation Committee reviewed and scored the applications, and recommended funding for the Ko'oloa'ula Phase II Project.

Ms. Wond noted that HHFDC's issuance of the RFI and entering directly into a contract with the CHDO represent an exception to the standard method of allocating HOME funds, and in 2015, the annual allocation rotation is expected to resume. However, the effectiveness of this allocation methodology will be monitored and evaluated by the HHFDC for future consideration.

With the selection of the Ko'oloa'ula Phase II Project, Designee Evans asked if all or a portion of the HOME funds intended for the County of Maui will be deferred. Ms. Wond clarified that only the CHDO portion would be deferred, stating that the County of Maui has identified an eligible activity for its regular HOME funds, its Kulamalu Project.

In reference to the Annual Action Plan Chart on page 3 of the For Action, Director Larson asked about the various totals. Ms. Wond explained that the totals include program income and uncommitted HOME funds from prior years.

Director Pulmano asked if the County of Maui would need to wait another 4 years until it receives its next allocation. Ms. Wond reiterated that only its CHDO allocation would be deferred, and Maui's next allocation would be in 2017.

In response to Director Young, Ms. Wond stated that the Big Island is scheduled to receive its HOME allocation in 2015. The Counties are given 2 years to determine an eligible activity, and the County of Hawaii has been consistent in producing eligible CHDO activities.

With no further questions, Chair Mesick asked for a motion to approve staff's recommendation.

Director Evans moved, seconded by Vice Chair Kyno,

That the HHFDC Board of Directors approve the following:

- A. Approve a Revised Consolidated Plan Annual Action Plan for Program Year 2014-2015, to identify the Ko'oloa'ula Phase II Project as an eligible HOME CHDO activity; and
- B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the revised Annual Action Plan.

The motion was unanimously carried.

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

Approve a Revision to the Consolidated Plan Annual Action Plan for Program Year 2014-2015, to Identify an Eligible HOME CHDO Activity

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Chair Mesick asked that the order of the Agenda be amended as follows: Item E, then Item C, with deferral of Item D until the July 10, 2014 Board Meeting.

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**
Review of the
Hawaii Housing
Finance and
Development
Corporation Audited
Financial Statements

Chair Mesick proceeded to Item E.

Designee Evans moved, seconded by Director Larson,

That the HHFDC Board of Directors convene in Executive Session at 9:17 a.m. to discuss the salary of the Executive Director pursuant to Section 92-5(a)(2), Hawaii Revised Statutes.

**III. E.
DISCUSSION
AND/OR
DECISION
MAKING**
Authorization to
Increase the Salary of
the Executive Director
Pursuant to Chapter
201H, Hawaii Revised
Statutes

The motion was unanimously carried.

The Board convened in Executive Session at 9:17 a.m.

**EXECUTIVE
SESSION**
9:17 a.m.

The Board reconvened into Regular Session at 9:37 a.m.

RECONVENED
9:37 a.m.

Chair Mesick requested that an amendment be made to the recommendation of the For Action based on the following perspectives: (1) compliance with the Commission's recommendation of a 2% increase in salary each year; and (2) Board review of increases on an annual basis.

Designee Evans moved, seconded by Director Young,

That the recommendation of the For Action be amended to read as follows:

That the HHFDC Board of Directors authorizes an increase in the HHFDC Executive Director's salary by 2% for one year, effective on July 1, 2014.

The motion was unanimously carried.

Designee Evans moved, seconded by Vice Chair Kyno,

That the HHFDC Board of Directors approves Resolution No. 61, which expresses appreciation to Betty Lou Larson.

Executive Director Hirai wished Director Larson a happy birthday, then proceeded with the presentation of the For Action and reading of Resolution No. 61. (Attachment A)

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve Resolution
No. 61, Expressing
Appreciation to Betty
Lou Larson

The motion was unanimously carried.

Chair Mesick read and presented Director Larson with a lei from staff and a commendation from the Governor of the State of Hawaii Neil Abercrombie.

Chair Mesick expressed his gratitude to Director Larson for her services, stating that her commitment and character has inspired him and will be something that is irreplaceable.

Director Larson thanked the Board and stated that it was a pleasure to work with such a diverse board, having representation from all islands, being one of the

strengths of the agency.

With Director Larson being the advocate for the community and continuity of the Board across various chairs, directors, and administrations, Director Young stated that this will be a significant and dynamic change that will be felt going forward and wished Director Larson well.

Vice Chair Kyno stated that within the short time that he has known her, he has been very impressed by her commitment and dedication for the lower income population of the community, which he felt to be the toughest place.

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

Executive Director Hirai reported that staff is working on various projects that are to be discussed within the Financing Policy Subcommittee Meeting to follow, which will later be brought before the Board.

With the increased percentage of the conveyance tax, Director Larson asked what the HHFDC is considering to do with the new monthly amounts received. Mr. Ueki stated that the HHFDC is allowed to only make commitments on monies it has in hand, which is the amount reflected within the HHFDC Program Resources report. Executive Director Hirai added that the conveyance tax bill is still pending the signature of the Governor.

Vice Chair Kyno asked on status updates regarding the US Fish and Wildlife Service (US FWS) and Keauhou aquifers.

Executive Director Hirai stated that HHFDC is in the process of a resolution with the US FWS.

Designee Evans commented that perhaps such agreements with the US FWS will set a precedent for other state agencies that may have projects within the Kona area, such as West Hawaii College Development or other private developments that may have affordable housing components.

Designee Evans asked if there were any mechanism for consulting with other agencies that may be affected by the US FWS.

With a large portion of the land being owned by the Department of Land and Natural Resources (DLNR), Mr. Prahler stated that DLNR is very involved in working on a global level as well as others within the state on possible impacts.

Designee Evans informed the Board to be aware of various reports by the National Park Services (NPS) that target audiences not from Hawaii, which cites ways on how regulatory mechanisms and contested case hearings could be utilized in restricting developments in the Kona area.

Mr. Prahler stated that the HHFDC did submit testimony to the Kona Community Development Plan Action Committee, which passed a motion unanimously in opposition to the designation of the Keauhou aquifer as a ground water management area. Furthermore, the HHFDC's water consultant reports shows that the upper level water system does not filter through the NPS' property and so far, there has been no scientific evidence that show the ponds are being impacted.

Executive Director Hirai stated that the HHFDC anticipates discussions with Greg Barbour, Executive Director of Natural Energy Laboratory of Hawaii Authority, regarding the polling of other state agencies.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

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

Vice Chair Kyno moved, seconded by Director Larson,

That the meeting be adjourned at 9:56 a.m.

The motion was unanimously carried.



LEILANI PULMANO
Secretary

V.
ADJOURNMENT

RESOLUTION NO. 61
EXPRESSING APPRECIATION TO BETTY LOU LARSON

WHEREAS, Betty Lou Larson has served as a public member of the Hawaii Housing Finance and Development Corporation ("HHFDC") from July 1, 2006 to June 30, 2014, representing community advocates for low-income housing, affiliated with private nonprofit organizations that serve the residents of low-income housing as a public; and

WHEREAS, with her community engagement and social services and nonprofit housing experience, Director Larson brought a unique perspective and balance to the HHFDC Board; and

WHEREAS, Director Larson effectively advocated for legislative funding to address the critical shortage of affordable housing in Hawaii and, particularly, affordable rental housing for low-income households. In 2014, due to her strong commitment and leadership, the State Legislature passed Senate Bill No. 2572, Conference Draft 1 which restores the allocation of conveyance tax collections for the Rental Housing Trust Fund ("RHTF") from the current 30 percent to 50 percent. This increase could result in an additional \$10-\$13 million per year and provide a total of approximately \$30 million a year for the RHTF; and

WHEREAS, during Director Larson's term, the HHFDC Board made considerable investments for the development and preservation of affordable housing statewide. Over 6,100 new or rehabilitated housing units were delivered, of which approximately 82 percent were rental housing units for low-income households; and

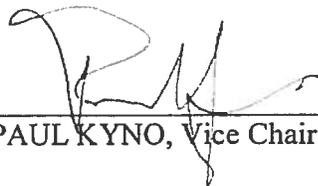
WHEREAS, the Board and staff of the HHFDC wish to thank Director Larson for her dedication and commitment to increasing affordable housing opportunities for the people of Hawaii; now, therefore,

BE IT RESOLVED that the Board of Directors of the Hawaii Housing Finance and Development Corporation adopt Resolution No. 61 Expressing Appreciation to Betty Lou Larson on this 12th day of June 2014; and

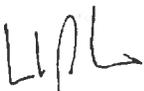
BE IT FURTHER RESOLVED that this Resolution be transmitted to Director Larson.



RALPH M. MESICK, Chairman



PAUL KYNO, Vice Chair



LEILANI PULMANO, Secretary

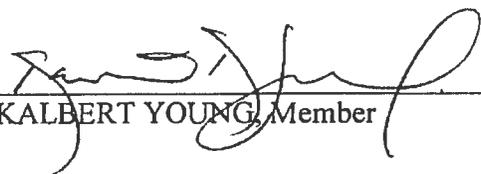
ALLAN LOS BANOS, JR., Member



RICHARD LIM, Member



MICHAEL NG, Member



KALBERT YOUNG, Member

ATTACHMENT A