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, OCTOBER 9, 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 a regular meeting at 677 Queen Street, on Thursday, October 9, 2014, at 9:15 a.m.

CALL TO ORDER/ ROLL CALL

The meeting was called to order by Chair Leilani Pulmano and, on roll call, those present and absent were as follows:

Present: Director Leilani Pulmano
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Michael Ng (Arrived at 9:15 a.m.)
Designee Mary Alice Evans for Director Richard Lim

Executive Director Craig Hirai

Excused: Director Richard Lim
Director Kalbert Young
Director Melvin Kahele

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, 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
Jocelyn Iwamasa, Housing Finance Specialist
Brian Davidson, Housing Finance Specialist
Lisa Wond, Planner
Mavis Masaki, Planner
Christopher Woodard, Property Management Coordinator
Elaine Goma, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Esa Pablo, Secretary to the Board

Guests: Makani Maeva, Vitus Group

QUORUM

A quorum was present.

II. A. APPROVAL OF MINUTES 9/11/14 Regular Meeting

Designee Evans moved, seconded by Director Ng

> That the minutes of the Regular Meeting held on September 11, 2014 be approved as circulated.

Chair Pulmano asked that the meeting minutes be amended by striking out the following:

1. "Director Allan Los Banos" from the excused attendance list; and
2. Attachments "A" and "B" referenced on pages 57 and 58.

The motion was unanimously carried, as amended.

II. B. APPROVAL OF MINUTES 9/11/14 Executive Session

The approval of the minutes of the Executive Session Meeting held on September 11, 2014 was deferred to Executive Session.

III. A. DISCUSSION AND/OR DECISION MAKING Approve a 30-Month Extension Through June 30, 2017 of the Rental Assistance Contract to the Lincoln Courtside Associates for the Lincoln Courtside Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-3-012: 045

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Approve a 30-month extension of the RAC to Lincoln Courts Associates for the Lincoln Courtside Apartments project through June 30, 2014; and

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

Designee Evans moved, seconded by Vice Chair Taira

That staff's recommendation be approved.

Finance Manager Darren Ueki presented the For Action, reporting that in May 2014, the Lincoln Courtside (Project) submitted a request to extend their Rental Assistance Contract (RAC) to December 31, 2023 or the period in which the remaining available funds on the RAC would allow.

As of September 2014, there is a remaining balance of $318, 145 out of the total RAP commitment of $1,620,000.

Based on 100% utilization of the Project's approved 36 RAP units, the remaining balance is estimated to cover an additional 34 months or 3 years of RAP payments.

The Project's actual utilization average has been at 55.66%, of which the remaining balance is estimated to cover an additional 63 months or 5 years of RAP payments.

Based on 100% utilization, staff recommends a 30-month extension (June 30, 2017) based upon the sufficiency of fund remaining under the Project's original RAP commitment.

In response to Designee Evans, Mr. Ueki stated that the Project is required to remain affordable until December 31, 2023 and anticipates additional extension requests from the Project.

Chair Pulmano asked if there was a way to allow future extensions for this particular Project to be approved at the discretion of the Executive Director as opposed to the Board. Mr. Ueki stated that the Board could amend the For Action accordingly.

Designee Evans moved, seconded by Vice Chair Taira,

That staff's recommendation be amended to include the following:

C. Delegate authority to the Executive Director to approve, at his or her discretion, additional extensions up to the original commitment made to the Lincoln Courtside Apartments Project.

The motion was unanimously carried, as amended.

III. B. DISCUSSION AND/OR DECISION MAKING
Adopt the Written Post Issuance Compliance Policies and Procedures to Comply with IRS Requirements Relating to the Administration of Funds Originating From Tax-Exempt Sources

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Adoption of the Post Issuance Compliance Policy and Procedures as provided in Exhibit A;

B. Authorize the Executive Director to amend the Post Issuance Compliance Policy and Procedures, as deemed necessary; and

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

Vice Chair Taira moved, seconded by Secretary Fukumoto

That staff's recommendation be approved.

Mr. Ueki presented the For Action, reporting that HHFDC receives and issues tax-exempt bonds to finance mortgages, fund capital improvement projects, and other legislative appropriations.

The Internal Revenue Service (IRS) strongly recommends issuers of the tax-exempt bonds adopt written policies and procedures that outline the appropriate compliance measures to be implemented once bonds have been sold.

Hence, Kutak Rock LLP, bond counsel of the Department of Budget and Finance (B & F) drafted the Post Issuance Compliance Policies and Procedures (PICPP), also reviewed by Hawkins, Delafield and Wood, LLP, bond counsel for HHFDC.

The PICPP consolidates the requirements currently specified in various documents associated with the bonds that the HHFDC issues, into one.

In reference to Exhibit A, Mr. Ueki clarified that the "Issuer" is HHFDC, with the "Compliance Officer" as himself, the Finance Manager, that would be responsible for providing the issuance to B & F, through the Executive Director, for each bond issuance. It was further clarified, for example, that under the Multi-Family Bond Program, although the "Issuer," the HHFDC rather acts as a conduit, with the responsibility being placed upon the party that the HHFDC is issuing for.

With no further discussion, the motion was unanimously carried.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Craig Hirai noted the following and opened for questions:

- Performed a site visit to the Nani O Puna Project with Vice Chair Taira.
- Work on the QAP is ongoing.
- Discussions with the Legislature on the Alder Street mixed-use project and financing infrastructures are ongoing.
- Attended a meeting together with Chair Pulmano and Development Branch Chief Rick Prahler, to discuss the Villages of Leiali'i Project with Maui Mayor Alan Arakawa.

V. EXECUTIVE SESSION
9:33 a.m.

There being no questions on the Report of the Executive Director, Chair Pulmano asked for a motion to move into Executive Session for Item V. A., Approve HHFDC Receipt of Property in Settlement of the Following Cases: (1) Civ. No 01-1-2505-08 KKSA/KKS, Oceanic Kaimamala Corp., et al. vs. State of Hawaii and (2) Civ. No. 09-1-0208-1 KKS, Ohai v. State of Hawaii.

Vice Chair Taira moved, seconded by Director Ng

That the Board convene in Executive Session at 9:33 a.m., pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, to negotiate the acquisition of public property and pursuant to the Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the Board's attorney on questions and issues pertaining to the Boards powers, duties, privileges, immunities, and liabilities, as it relates to the stated cases.

The motion was unanimously approved.

RECONVENED
10:15 a.m.

The Board reconvened into Regular Session at 10:15 a.m.

Chair Pulmano noted the following actions that were taken in Executive Session:

1. Deputy Attorney General Colette Honda, read the Board's recommendation on Item V. A. as follows:

   Authorize the Executive Director to acquire the subject property and to expend up to $25,000 to acquire Bair Ltd. Partnership's interests under terms and conditions acceptable to the Executive Director in his sole discretion.

2. The meeting minutes of the Executive Session Meeting of September 11, 2014 were unanimously carried, as amended.

V. EXECUTIVE SESSION
10:17 a.m.

Chair Pulmano asked for a motion to convene in Executive Session for Item V. B., Update on the Transfer of Ownership of Kekuilani Gardens and Nani O Puna Affordable Rental Housing Projects.

Vice Chair Taira moved, seconded by Director Ng

That the Board convene in Executive Session at 10:17 a.m., pursuant to Section 92-5(a)(3), Hawaii Revised Statutes, to negotiate the acquisition of public property and pursuant to the Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the Board's attorney on questions and issues pertaining to the Boards powers, duties, privileges, immunities, and liabilities, as it relates to the stated cases.

The motion was unanimously carried.

RECONVENED
11:09 a.m.

The Board reconvened into Regular Session at 11:09 a.m.

VI. ADJOURNMENT
11:10 a.m.

With no further business on the agenda, Chair Pulmano asked for a motion to adjourn.

Vice Chair Taira moved, seconded by Secretary Fukumoto

That the meeting be adjourned at 11:10 a.m.

The motion was unanimously carried.

RONA FUKUMOTO
Secretary