

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, DECEMBER 11, 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, December 11, 2014, at 9:00 a.m.

The meeting was called to order at 9:00 a.m. by Chair Leilani Pulmano and those present and excused were as follows:

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Leilani Pulmano  
Director Edwin Taira, Vice Chair  
Director Rona Fukumoto, Secretary  
Director Audrey Abe  
Designee Luis Salaveria for Director Kalbert Young

Executive Director Craig Hirai

Excused: Director Mary Alice Evans  
Director Melvin Kahele

Staff Present: Sandra Ching, Deputy Attorney General  
Colette Honda, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Ann Nakagawa, Chief Financial Officer  
Stuart Kritzer, Asset Manager  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Ken Takahashi, Development Project Manager  
Beth Malvestiti, Development Project Coordinator  
Christopher Woodard, Property Management Coordinator  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Ann Bouslog, Forest City  
Randy Bishop, Cloudbreak Hawaii  
Rick Stack, A & B  
Meredith Ching, A & B  
Franco Mola, Coastal Rim Properties, Inc.

A quorum was present.

**QUORUM**

Designee Salaveria moved, seconded by Director Fukumoto

That the meeting minutes of November 13, 2014 be approved as circulated.

**II. A.  
APPROVAL  
OF MINUTES  
11/13/14  
Regular  
Meeting**

The motion was unanimously approved.

The approval of the executive session meeting minutes of October 9, 2014 was deferred to later in the meeting.

**II. B.  
APPROVAL  
OF MINUTES  
10/09/14  
Executive  
Session**

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Vice Chair Taira moved, seconded by Director Fukumoto

That the HHFDC Board of Directors approve the following:

- A. Extended the LOI dated December 13, 2011, for the RHTF Loan for the Hale Uhiwai Nalu Addition project to June 30, 2015, 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 the Hale Uhiwai Nalu Addition (Project) is an additional 50-unit family project, (for a combined 130 units) located in Kapolei, Oahu.

Project background, financing approvals, and subsequent extensions were noted.

The Project is requesting a 6-month extension to allow time to finalize loan documents and obtain consent to debt from the Department of Veteran Affairs.

The Project has been awarded a \$450,000 grant from the Federal Home Loan Bank of Seattle to be used to cover increases in costs accrued or lower other sources, such as the Rental Housing Trust Fund.

Project construction is anticipated to commence in March 2015, with project completion in March 2016.

The Project continues to work with First Hawaii Bank to close on its outstanding financing commitments relating to construction and permanent loans. An updated project budget is in progress.

Mr. Ueki opened for questions, along with Mr. Randy Bishop, on behalf of the Project.

In response to Vice Chair Taira, Mr. Ueki reiterated that additional funds from the \$450,000 grant would be used towards reducing the Rental Housing Trust Fund loan amount.

With no further discussion, the motion was unanimously approved.

Vice Chair moved, seconded by Designee Salaveria

That the HHFDC Board of Directors approve the following:

- A. Approve Resolution No. 071, attached as Exhibit G, which provides for official intent with respect to the issuance of revenue bonds up to \$29,818,000 for the Kulana Hale at Kapolei project subject to the provisions recommended in Exhibits C and E.
- B. Reserve up to \$1,602,490 in annual Federal LIHTC and \$801,245 in annual State LIHTC from the non-competitive pool (4% LIHTC) to the Kulana Hale at Kapolei project subject to the provisions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, stating that the Kulana Hale at Kapolei (Project) is one phase of three, consisting of 154 elderly units located in Kapolei, Oahu.

**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

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

Approve: (1) Resolution No. 071, 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 Kulana Hale at Kapolei Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-088: 021

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Background on the Hula Mae Multi-Family Bond program and previous financing requests were noted.

The Project anticipates receiving its building permits in December 2015/January 2016, with construction to commence upon receipt of its building permits, and project completion in August 2017.

The approval of the Inducement Resolution will allow for further discussions and recognize expenditures made by the developer 60 days prior to the approval, reimbursed through bond proceeds.

Request for subdivision or CPR (Condominium Property Regime) and financing commitment for the balance of the land remains to be addressed.

Staff is requiring that the Project’s initial parking plans be modified to have an access to the second floor parking during the construction of Phase I, rather than in Phases II and III, which could take an additional 6 years or more. The developer will continue to work with staff to address such concerns.

Mr. Ueki opened for questions along with Mr. Franco Mola, on behalf of the Project.

Discussion ensued on the initial parking plans.

Mr. Mola stated that staff’s concerns of the initial parking plans would be addressed before coming back to the Board for final issuance of the bonds.

A meeting is scheduled tomorrow with the Development Branch to discuss further the parking plans.

In response to Chair Pulmano, Mr. Ueki stated that there is no time limit on closing the inducement resolution, but rather is at the discretion of the Corporation.

In response to Vice Chair Taira, Mr. Mola stated that through their experience, two bedrooms have been the most coveted within its senior projects due primarily to tenants having a caretaker.

The motion was unanimously approved.

Vice Chair Taira moved, seconded by Designee Salaveria

That the HHFDC Board of Directors approve a Memorandum of Agreement with the State of Hawaii Department of Transportation and Forest City Hawaii Kona, LLC dated November 20, 2014 for regional traffic improvements at the State roadways for the Kamakana Villages at Keahuolu project in Keahuolu, North Kona, Hawaii, TMK (3) 7-4-021: 020, 024, 028 to 041, and 044 to 046, substantially as discussed in this For Action, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

- A. An amount of \$667/unit for the first 600 units and \$769/unit for the next 1,300 units shall be set aside as a Project-related cost in escrow from revenues from lot sales for the design and construction of the MOA mitigation improvements required for each respective Milestone period, or an irrevocable completion guarantee or bond, or other security acceptable to the Executive Director, shall be required for mitigation improvements required under the MOA before the closing of the sale of any onsite developable lots within the Milestone period requiring such improvements so there is no unfunded liability to HHFDC, unless otherwise approved at the sole discretion of the Executive

**III. C.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve a Memorandum of Agreement with the State of Hawaii Department of Transportation for Regional Traffic Improvements at State Highways for the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-4-021: 020, 024, 028, to 041, and 044 to 046

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Director;

- B. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Development Section Branch Chief Stan Fujimoto presented the For Action, stating that the Kamakana Villages (Project) is a 2,300-unit master planned community in North Kona, Hawaii.

Environmental Impact Statement, Land Use Commission, and Traffic Impact Analysis Report (TIAR) approvals were noted.

The Memorandum of Agreement (MOA) was executed on November 20, 2014 and is subject to the Board's approval.

The TIAR addendum identified the Project's fair share allocation of regional traffic improvements to state highways of approximately \$700,000.

The MOA identified improvements of two intersections at an estimated \$1.4 million to satisfy mitigation measures for traffic impacts, as follows:

1. Adding a second makai bound left turn lane at Palani Road, turning left, into Queen Kaahumanu Highway
2. Adding a second north bound left turn lane at Ane Keohokalole Highway, turning left into Kealakehe Parkway.

Mitigation improvements will need to be completed before 600 and 1,900 units are completed, respectively.

A separate MOA for local improvements will be negotiated with the County.

HHFDC's Development Agreement with Forest City requires that there shall be no unfunded liability to HHFDC.

Ms. Ann Bouslog was introduced and available for questions.

Vice Chair Taira asked why the threshold is set by a number and not by a percentage. Mr. Fujimoto stated that the threshold is based upon the TIAR, which is based upon a traffic science, which he does not fully understand.

Discussion ensued on the traffic improvements. Exhibit B was cited as identifying the two intersection locations as Intersections 9 and 5, respectively.

Chair Pulmano asked on the traffic improvements required by the County. Ms. Bouslog stated that majority of the local improvements required by the County, will be required for the project anyway, like creating new intersections on Palani Road and Ane Keohokalole Highway, and Kealakehe Parkway. Proposed plans are to present a draft MOA to the County in early 2015.

The motion was unanimously approved.

Vice Chair Taira moved, seconded by Designee Salaveria

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2014.

Chief Financial Officer Ann Nakagawa presented the For Action, stating that the HHFDC Audit for the fiscal year ended June 30, 2014 was completed by Accuity LLP and issued.

Decreases and increases of the HHFDC's assets were highlighted, with a

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

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restatement due primarily to an immediate amortization of certain bond issuance costs. A CD attachment consisting of the entire audit was cited.

Fiscal Year Ended  
June 30, 2014

Based on a prior comment on the internal controls of HHFDC, Ms. Nakagawa reported on the following:

- A consultant is working with the developer to identify actual costs of current construction to dedicate the infrastructure to the City & County of Honolulu for the Villages of Kapolei.
- The HHFDC decided not to pursue the development of Villages of Leiali'i, writing off an estimated \$12 million in previously capitalized construction cost, leaving approximately \$8 million of land cost for a possible transfer of property. As a result, the comment is not to be repeated next year.

In response to Vice Chair Taira, Development Branch Chief Rick Prahler concurred that the Villages of Kapolei dedication costs are estimates to improve the infrastructure to a level acceptable by the County.

In response to Director Abe, Ms. Nakagawa stated that the amortization portion of the bonds was approximately \$1 million.

Executive Director Hirai asked whether the Board would like to continue educational sessions on the HHFDC's balance sheet and income statements and/or various footnotes.

Chair Pulmano concurred and asked to commence once all seats of the Board are filled.

In response to Designee Salaveria, Ms. Nakagawa clarified that this audit has already been submitted to DAGS to be included within the CAFER.

The motion was unanimously approved.

Mr. Prahler presented the For Information, stating that the Dwelling Unit Revolving Fund (DURF) program was established for the acquisition of real property, development, and construction of residential, commercial, and industrial properties; interim and permanent loans to developers; and any and all things necessary to carry out the purposes of housing development programs, including administrative expenses.

DURF program uses set forth in Section 201H-191, Hawaii Revised Statutes (HRS) and lending powers of the Corporation set forth in Section 201H-43, HRS, were noted.

Staff would like to optimize the utilization of the DURF loan program and seek further guidance from the Board.

Vice Chair Taira moved, seconded by Director Fukumoto

To go into executive session pursuant to 92-5(a)(4), HRS, to consult with the Board's attorney about the Board's duties and liabilities as it relates to the DURF.

The motion was unanimously approved.

The Board convened in Executive Session at 10:05 a.m. and reconvened in Regular Session at 10:51 a.m.

**III. E.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the Dwelling Unit Revolving Fund (DURF) Loan Program, Balances, And General Policies of the Hawaii Housing Finance and Development Corporation Related Thereto

**EXECUTIVE  
SESSION**  
10:05 a.m.

**RECONVENED**  
10:50 a.m.

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The meeting minutes of October 9, 2014 executive sessions were approved in Executive Session.

**II. B.  
APPROVAL  
OF MINUTES**  
10/09/14  
Executive  
Session

Executive Director Hirai reported on the following:

- HHFDC is actively involved in the Transit Oriented Development discussions and presentations.
- A Public Notice is being prepared for the TOD Planner position.
- Staff will be attending the LURF Housing Summit this afternoon.
- A TOD informational briefing will be held on December 17, 2014, from 10:30 a.m. – 2:30 p.m., at the State Capitol Auditorium

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

In response to Chair Pulmano, Executive Director Hirai stated that its Legislative package is awaiting clearance from the DBEDT Director’s Office.

Director Fukumoto asked if the HHFDC works with the Partners in Care Advocacy. Chief Planner Janice Takahashi concurred, stating that staff attends a meeting before the Legislative Session starts to present its proposed legislative package and gets feedback.

Mr. Prahler stated that HHFDC has proposed a bill to allow for the fee simple sale of its leasehold projects. However, under Act 176, HHFDC is required to consult with the Office of Hawaiian Affairs (OHA). Ms. Takahashi further stated that OHA has asked the HHFDC to hold off with its request due to the change of administration.

With no further discussion, Designee Salaveria moved, seconded by Director Fukumoto

**V.  
ADJOURNMENT**  
10:56 a.m.

That the meeting be adjourned at 10:56 a.m.

The motion was unanimously approved.

  
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 RONA FUKUMOTO  
 Secretary