

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, MARCH 12, 2015
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, March 12, 2015, at 9:00 a.m.

Chair Leilani Pulmano called the meeting to order at 9:00 a.m. Those present and excused were as follows:

**CALL TO
ORDER/
ROLL CALL**

Present: Director Leilani Pulmano, Chair
Director Edwin Taira, Vice Chair
Director Audrey Abe
Director Melvin Kahele
Director Luis Salaveria
Designee Roderick Becker for Director Wesley Machida

Executive Director Craig Hirai

Excused: Director Rona Fukumoto, Secretary

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 Management
Marlene Lemke, Sales and Counseling Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Leo Domingo, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Lorna Kometani, Housing Sales Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Franco Mola, MJF Development
Lia Powers, MJF Development
Mig Saeng, UHC
Claudia Shay, SHHCH
Marian Gushiken, EAH
Scott Gomes, CBRE
Andy Kazama, CBRE
Drew Reinders, CBRE

A quorum was declared present.

QUORUM

Vice Chair Taira moved, seconded by Director Kahele

**II. A.
APPROVAL
OF MINUTES
2/12/15
Regular
Meeting**

That the minutes of the Regular Meeting held on February 12, 2015 be approved as circulated.

The motion was unanimously approved.

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Deputy Attorney General Sandra Ching noted for the record that the following changes will be made on the original February 12, 2015 meeting agenda:

II. APPROVAL OF MINUTES

- A. Regular Meeting – January 8, 2014 2015
- B. Executive Session – January 8, 2014 2015
- C. Special Meeting – January 22, 2014 2015

The minutes of the Executive Session Meeting held on January 8, 2015 was deferred to the next Board meeting.

The minutes of Executive Session Meeting held on February 12, 2015 was deferred to the next Board meeting.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Ewa Villages Phase III project to March 31, 2016; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Salaveria

That staff's recommendation be approved.

Finance Branch Darren Ueki presented the For Action, stating that the extension to Resolution No. 060 for the Ewa Villages Phase III (Project) is procedural in nature and provided the Board with an update of what transpired since originally approved in March 2014.

Mr. Ueki opened for questions along with Ms. Marian Gushiken, on behalf of the Project.

Director Salaveria asked if the reason for the extension was due to the pending approval of the building permits. Mr. Ueki stated no, clarifying that a bond credit deal takes about 18 months. However, the initial approval is set for 12 months to benchmark progress made.

With no further discussion, the motion was approved unanimously.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve Resolution No. 072, attached as Exhibit G, which provides for official intent with respect to the issuance of revenue bonds up to \$7,300,000 for the Kamana Elderly Apartments project subject to the provisions recommended in Exhibits C and E.

Amendment
2/12/15 Agenda

II. B.
APPROVAL
OF MINUTES
1/08/15
Executive
Session

II. C.
APPROVAL
OF MINUTES
2/12/15
Executive
Session

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Extension
to Resolution No. 060,
Which Provides for
Official Intent with
Respect to the Issuance
of Hula Mae Multi-
Family Tax-Exempt
Revenue Bonds for
the Ewa Villages
Phase III Project
Located in Ewa Beach,
Oahu, TMK Nos.:
(1) 9-1-017: 076 and
077

III. B.
DISCUSSION
AND/OR
DECISION
MAKING
Approve: (1)
Resolution No. 072,
Which Provides for
Official Intent with
Respect to the

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- B. Reserve up to \$478,543 in annual Federal LIHTC and \$239,271 in annual State LIHTC from the non-competitive pool (4% LIHTC) to the Kamana Elderly Apartments 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 the For Action.

Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) Reservation of Low Income Housing Tax Credits for the Kamana Elderly Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-056: 022

Vice Chair Taira moved, seconded by Director Salaveria

That staff's recommendation be approved.

Mr. Ueki presented the For Action, stating that the Inducement Resolution is a non-bind resolution that states the HHFDC's intent to issue tax-exempt revenue bonds for the Project. Approval of the Inducement Resolution also recognizes eligible expenditures made 60 days prior to the approval of the inducement resolution that can be reimbursed from the bond proceeds and enables staff to continue discussions with all parties to determine the feasibility of the project's financing.

If the bond issue is determined feasible, staff will return to the Board for final approval for the issuance, sale, and delivery of the bonds, subject to the Department of Budget and Finance and the Governor.

The recommendation to reserve LIHTC will be done in accordance with the QAP.

With an existing affordability commitment under the HUD Section 8 Program, the Project's request for HHFDC resources were questioned and further negotiated as follows:

1. Increase the Project's initial replacement reserve account by \$62,000 to \$124,000; total reserves correspondingly increased to \$472,356. Note: the annual replacement reserve deposit is budgeted at \$300 per unit; \$18,600 for the Project's 62-units.
2. Waive the right to request a Qualified Contract under Section 42 of the Internal Revenue Code.

Mr. Ueki noted that a Qualified Contract allows a project owner at Year 15 to request the housing credit agency to find a buyer for a project to take over. By having this contract provision waived, the agency will preserve affordability as well as prevent staff from undertaking something that it is not equip to do at this time.

Mr. Ueki opened for questions along with Mr. Miguel Sands, on behalf of the Project.

In response to Vice Chair Taira, Mr. Ueki stated that the following correction will be made on page 1 of Exhibit A, under Land Tenure, to read as follows:

Fee Owner: ~~Kamana, Inc.~~ State of Hawaii - DLNR

In response to the Board, Mr. Sands noted the following:

- Rehabilitation work will include replacement of the cabinets, flooring, lights, and energy efficient equipment and appliances – averaging approximately \$40 to \$45,000 per unit.
- The average size of each unit is approximately 600 square feet.
- Exterior work will be done as well. Work on roofing is to be verified.

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- All but two units are rented out. Two vacant units are used for tenants whose units are being renovated.
- Rehabilitation work is anticipated to take 4 to 5 days per unit.

With no further discussion, the motion was unanimously approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors amend the previously approved income restriction of the Dwelling Unit Revolving Fund DURF 1 and 2 Interim Loan and subsequent amendments to target families at 120% HUD AMI and below, for the Ma'ili III Self-Help Housing project, located in Ma'ili, Waianae, Oahu, substantially as described in this For Action;

Subject to compliance with rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Vice Chair moved, seconded by Director Salaveria

That staff's recommendation be approved.

Development Branch Chief Rick Prahler stated that this For Action requests that the Board amend the affordability limit back up to 120% of the area median income (AMI) and below. This technical amendment would accommodate the differences in income calculations within the various program guidelines required of the City's 201H Development Agreement (DA) (80% AMI and below), USDA Rural Development (50% and 80% AMI), and the HHFDC, qualifying potential buyers within the 80% AMI and below income range.

Mr. Prahler further explained that unlike other programs, the HHFDC does not calculate a family's income based on income averages or overtime, but does count Section 8 subsidies and food stamps as income. Therefore, occasional buyers would not qualify under the calculation process of the HHFDC, showing up as over income.

Vice Chair Taira asked whether it would be easier to defer to other entity guidelines. Executive Director Hirai stated that by increasing the income limit potential buyers would be able to qualify under the income calculation guidelines of the HHFDC as well as be kept within the desired income limits of 80% and below the AMI under the requirements of the City and RD.

In response to Director Salaveria, Mr. Prahler concurred, stating that the reason for the amendment is due to the multiple financing involved.

Director Salaveria asked if the Board could expect to see more of these types of complex finance stacking. Mr. Prahler concurred, stating that the next For Action's requests the same.

In reference to Director Salaveria's question, Chair Pulmano asked if the HHFDC would need to look at its program. Mr. Prahler stated that by providing a cushion when other financing programs are involved would resolve this issue.

Vice Chair Taira asked for the reason of having 3 and 4 bedrooms. Ms. Shay stated that demographically that is the need of the families within the area.

Mr. Prahler stated that Self-Help Housing is a good program to provide those at lower incomes to own a single family home. Ms. Shay added that the homeowners 1700 hours of sweat equity equated to more than \$100,000.

With no further discussion, the motion was unanimously approved.

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Amendment to the Previously Approved Income Restriction of the Dwelling Unit Revolving Fund Interim Loan to Target Families at 120% of HUD AMI and Below for the Ma'ili III Self-Help Housing Project Located in Ma'ili, Waianae, Oahu, TMK No.: (1) 8-7-002: 001, 007, 015, and 016

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Staff's recommendation was presented as follows:

That the HHFDC Board of Directors amend the previously approved income restriction of the Dwelling Unit Revolving Fund Interim Loan to target families at 120% of HUD AMI and below for the Pokai Bay Self-Help Housing Project located at Lualualei, Waianae, Oahu, substantially as described in this For Action;

Subject to compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Vice Chair moved, seconded by Director Salaveria

That staff's recommendation be approved.

Mr. Prahler presented the For Action, stating that this is the same recommendation to the previous report. The count of units have been changed to 14 units at 50% and below and 56 units at 80% and below.

In response to Vice Chair Taira, Mr. Prahler concurred, stating that the DURF loan is paid off with the closing of each unit. The DURF 1 loan has been paid off with the DURF 2 loan at 50%.

In response to Director Kahele, Ms. Shay concurred, stating that both the 3 and 4 bedroom units are priced at \$275,000, being similar in size – 3 bedrooms are two-story and 4 bedrooms are one-story.

Ms. Shay noted that the Ma'ili houses are appraised at \$415,000, with Pokai Bay appraised at \$500,000 (Lots are approximately 5,000 to 9,000 square feet with ocean views).

In response to Vice Chair Taira, Mr. Prahler stated that all units for both Ma'ili and Pokai Bay have the 10-year buy back and shared appreciation conveyance.

Director Kahele asked what would be HHFDC's income guideline amount for families with incomes at 80% and below the AMI. Ms. Shay stated that a family of four would be at \$82,500 under RD's income guideline, and \$76,650 under the HUD income guideline, which the HHFDC follows.

With no further discussion, the motion was unanimously approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following for the 'Ohana Hale affordable for sale condominium project, in McCully, Oahu, Hawaii, TMK: (1) 2-3-28:004, substantially as discussed in this For Action:

- A. Certification of MJF Development Corporation, or other successor entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-3070-24, HAR;
- B. Development of the 'Ohana Hale project with the proposed exemptions from statutes, ordinances and rules of the City and County of Honolulu as recommended for approval, pursuant to Section 201H-38, HRS;
- C. Execution of a development agreement required for such exemptions as approved by the Executive Director; and
- D. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

Subject to compliance with all rules and regulations and such other terms

III. D. DISCUSSION AND/OR DECISION MAKING
Approve an Amendment to the Previously Approved Income Restriction of the Dwelling Unit Revolving Fund Interim Loan to Target Families at 120% of HUD AMI and Below For the Pokai Bay Self-Help Housing Project Located at Lualualei, Waianae, Oahu, TMK Nos.: (1) 8-6-027: 001-004, 049-054, 064-123, and 126

III. E. DISCUSSION AND/OR DECISION MAKING
Approve the Certification of MJF Development Corporation, or Other Successor Entity Approved by the Executive Director, as an Eligible Developer and the Proposed 'Ohana Hale Affordable For Sale Condominium Project, Located in McCully, Oahu, TMK No.: (1) 2-3-028:004, Including the Developer's Proposed Exemptions, for Processing Under the Provisions of Chapter

and conditions as may be required by the Executive Director.

Vice Chair moved, seconded by Director Salaveria

That staff's recommendation be approved.

Mr. Prahler presented the For Action, noting the project facts of the 'Ohana Hale (Project), the 201H process of the HHFDC, and exemption requests and responses. If approved, the HHFDC will submit the Project's application for the City's review. The City will have 45 days to approve or disapprove.

Mr. Prahler further noted that the Project has proposed to satisfy its park dedication fee by providing a recreation deck above the parking garage and a community space on the ground floor.

Letters of support received from Councilmember Ann Kobayashi and Council Chair Ernie Martin were noted.

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

Discussion ensued on project specifications. In response to the Board, Mr. Mola stated that every effort has been made to keeping operational cost to a minimum and noted the following:

- Square footage of the Project units are as follows: 335 s.f. for studios, 456 – 498 s.f. for one-bedrooms, and 700 s.f. for two-bedrooms.
- The Project proposes and is committed to include a recreational open deck on the top of the parking and a community space on the ground level to satisfy its park dedication requirement.
- The Project is located within an area that is near to parks, schools, and recreational facilities.
- A monthly \$250 maintenance fee includes water and sewer.
- Electronic meters have been installed to allow each unit to be scanned and billed.
- The Project is currently working on a solar system to keep water heater costs down.

Vice Chair Taira asked on the reason for the City not processing the Project's 201H application. Mr. Mola stated that the Project needed to qualify buyers at 120%, and the City's 201H process requires an 80% AMI limit on for sale units.

In response to Vice Chair Taira, Mr. Mola stated that the list of exemptions are standard and are not site specific.

In response to Chair Pulmano, Mr. Mola stated that the property line has been setback to the sidewalk about 6 feet.

Director Kahele asked what would be the calculated park dedication fee cost. Mr. Mola explained that the park dedication fee is a one-time payment that is calculated at approximately \$200 a square foot of the land. (e.g., 10,000 square feet x \$200 = \$2 million) Therefore, the Project is proposing to do the recreational deck and community room, putting the money into the Project.

In response to Chair Pulmano, Mr. Mola stated that although the Neighborhood Board approved, the main issues presented were in regard to parking and the

height of the building.

Chair Pulmano asked what the two lots mauka of Project were. Mr. Mola stated that those are both businesses – a car mechanic and a car care shop.

Director Abe asked on what the Project is doing to save on energy. Mr. Mola stated that the Project is doing solar for the water heater, low impact appliances, energy efficient elevators, methodically selecting its window color and type for climate control.

In response to Director Abe, Mr. Mola stated that there would be a coin operated common laundry area.

In response to Designee Becker, Mr. Mola stated the Project has done a lot and has worked with staff to address the concerns of the City.

In response to Chair Pulmano, Mr. Prahler stated that the Holomua project, near the intersection of Kalakaua and Beretania had similar exemptions that were approved by the City.

The motion was unanimously approved.

Chair Pulmano called for a recess at 10:58 a.m.; the meeting reconvened at 11:05 a.m.

Chief Planner Janice Takahashi presented the For Information for the purpose to engage discussion and obtain guidance on HHFDC's role in facilitating the development of affordable, workforce, or reserved housing units.

The HHFDC's mission statement, along with its program objectives and priorities were reviewed.

Discussion questions were as follows: (1) To what extent should HHFDC assist in developing affordable, workforce, or reserved housing?; (2) Which tools and resources could be used to facilitate development to satisfy housing exactions?; and (3) If applicable, what requirements should HHFDC place on an affordable, workforce, or reserved housing project that is seeking assistance?

The Board discussed in depth different development scenarios and suggested the following:

- The County and State Affordable, Workforce and Reserved Housing Requirements would be set as the "baseline" (e.g., the minimum requirements a developer would need in order to meet its obligations).
- HHFDC assistance could be provided for anything above the baseline (e.g., more units, longer affordability, and lower income levels).
- Each project should be taken on a case-by-case basis.
- Development risks should not be shifted from the developer to the agency.
- HHFDC will need to be flexible and willing to re-evaluate and adjust its guidelines including income requirements in the event that difficulties arise.

With no further discussion, Chair Pulmano proceeded to the Report of the Executive Director, deferring Item G, to the next Board meeting.

RECESS
10:58 a.m.

**III. F.
DISCUSSION
AND/OR
DECISION
MAKING**
Discussion on
Strategies for the
Production of
Affordable Housing

**III. G.
DISCUSSION
AND/OR
DECISION
MAKING**
Review of the Hawaii
Housing Finance and

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

In reference to Exhibit C, Monthly Report on housing-related House and Senate bills, Executive Director Hirai stated that staff will be requesting the Governor's assistance on the following bills:

- House Bill (HB) 283, HD1, regarding General Excise Tax (GET) exemptions from mixed-used housing project.
- HB 827, HD2, regarding mixed-use residential project on Alder Street.
- HB 906, HD 1, and Senate Bill (SB) 2075, relating GET exemptions for certified or approved housing projects.
- HB 1025, relating to the Executive Director pay.
- SB 971, SD1, relating to taxation. Ensures that certain eligible housing projects will remain affordable for certain minimum periods in order to be certified for exemption from GET.
- SB 974, relating to the Rental Housing Trust Fund (RHTF). Authorizes the RHTF to be used for public uses within mixed-use residential developments.
- SB 975, relating to a RHTF. Adds a preference for RHTF project applicants that receive federal low-income housing tax credits.

Bills of concern were as follows:

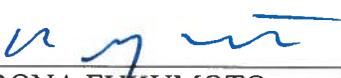
- HB 500, relating to the State budget. Appropriates funds for the operating and capital improvement budget of the Executive Branch for fiscal years 2015-2016 and 2016-2017.
- SB 1299, relating to Disposition of tax revenues. Establishes maximum dollar amounts that shall be distributed among certain non-general funds from the conveyance tax. Caps RHTF dedicated financing from conveyance tax at \$38 million per fiscal year.

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

Vice Chair Taira moved, seconded by Director Salaveria

That the meeting be adjourned at 11:53 a.m.

The motion was unanimously approved.



RONA FUKUMOTO
Secretary

**V.
ADJOURNMENT**
11:53 a.m.