

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, JANUARY 14, 2016
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, January 14, 2016, 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 Melvin Kahele
Director Audrey Abe
Director Spindt Spindt
Director Denise Iseri-Matsubara
Director Roderick Becker (for Director Wesley Machida)

Executive Director Craig Hirai

Excused: Director Luis Salaveria
Director Rona Fukumoto, Secretary

Staff Present: Sandra Ching, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Stuart Kritzer, Asset Management
Marlene Lemke, Sales and Counseling Section Chief
Stan Fujimoto, Development Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Lawrence Pulido, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Ann Nakagawa, former Chief Financial Officer
Randy Hiu, Ikaika Ohana
Makani Maeva, Ahi Group
Paul Fortino, Southport
Kevin Carney, EAH Housing
Aj Khandaker, House Finance
Denise Boswell, Rural Community Assistance Corporation Kunia
Monika Mordasini Rossen, Michaels Development
Betty Lou Larson, Catholic Charities/Partners in Care
Stephanie Whalen, Hawaii Agriculture Research Center
Blake Vance, Kunia Village Development Corporation
Karen Arakawa, Pacific Housing Assistance Corporation
Marian Gushiken, EAH Housing
Patti Barbee, Hawaiian Community Development Board
Meredith McNair, Hawaiian Community Development Board
Delene Osorio, Big Island Housing Foundation

A quorum was present.

QUORUM

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Vice Chair Taira moved, seconded by Director Abe

That the minutes of the Regular Meeting held on December 10, 2015 be approved as circulated.

The motion was unanimously approved.

Approval of the minutes of the Special Meeting held on December 16, 2015 was deferred to the February 11, 2016 Board Meeting.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Approve the proposed amendments to the 2016/2017 QAP, subject to a public hearing;
- B. Authorize the Executive Director, or his designated representative, to conduct a public hearing on the proposed 2016/2017 QAP;
- C. After the public hearing, authorize the Executive Director to approve the Final 2016/2017 QAP, provided that no substantive amendments are made;
- D. Authorize the Executive Director to take all action necessary to effectuate the purpose of the For Action.

Vice Chair Taira moved, seconded by Director Abe

That staff's recommendation be approved.

Finance Manager Darren Ueki presented the For Action, providing an overview on the Low Income Housing Tax Credit (LIHTC) program and the Qualified Allocation Plan (QAP).

Mr. Ueki noted a correction on page 1 of 5, Section III. B., last sentence, which should read:

The public hearing was scheduled to be held on Tuesday, [~~October~~ November 24, 2015.

On November 13, 2015, the public hearing was cancelled to allow for revisions to the 2016/2017 QAP that would align with the State's housing goals and polices.

Mr. Ueki summarized the proposed changes to the QAP, broken down in the areas of policy, threshold, and criteria.

The tentative timeline of events is projected as follows:

- January 22, 2016 – Publish Notice of Public Hearing
- February 23, 2016 – Conduct Public Hearing
- March 2016 – Recommend Final Approval of the QAP to the Executive Director
- April 2016 – Applications Available
- June 2016 – Applications Due: 9% LIHTC (volume cap) and Hula RHRF – FY 2016 (Funding Round 2)
- August/September 2016 – Present Recommendations to the Board

II. A.
APPROVAL
OF MINUTES
12/10/15
Regular
Meeting

II.B.
APPROVAL
OF MINUTES
12/16/15
Special
Meeting

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve a Request
to Conduct a Public
Hearing on the
Low-Income
Housing Tax Credit
Program's 2016/2017
Qualified Allocation
Plan

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- October 2016 – RHRF – FY2017 (Funding Round 1)
- January 2017 – Present Recommendations to the Board

Mr. Ueki stated that because of the narrowness of the For Action Agenda title filed with the Lieutenant Governor's Office not reflecting the proper actions needed within the recommendation, staff is proposing to approve only items B and D, as follows:

- B. Authorize the Executive Director, or his designated representative, to conduct a public hearing on the proposed 2016/2017 QAP;
- D. Authorize the Executive Director to take all action necessary to effectuate the purpose of the For Action.

Mr. Ueki noted that staff will return to the Board in February 2016 for consideration of the remaining recommendation items A and C, as follows:

- A. Approve the proposed amendments to the 2016/2017 QAP, subject to a public hearing;
- C. After the public hearing, authorize the Executive Director to approve the Final 2016/2017 QAP, provided that no substantive amendments are made;

Mr. Ueki opened for questions.

Deputy Attorney General Sandra Ching stated a point of clarification, that the motion on the table is the correction motion. Mr. Ueki concurred, stating that it is only the details of the recommendation that will be considered for approval separately.

Director Spindt asked about previous discussions on the 4% applications being an open process rather than having a set deadline schedule. Mr. Ueki stated that the 4% applications will be open ended to the extent that no other resources are needed from the Corporation. In April 2016, 4% LIHTC applications are anticipated to be accepted for review. Applicants will be informed of the change.

In response to Director Abe's question as to whether project quality is considered in selecting proposals, Mr. Ueki deferred to Development Section Chief Stan Fujimoto. Mr. Fujimoto stated that project quality is not considered in selecting proposals and there has not been any problems so far. Mr. Prahler added that because a developer/owner ends up managing the project over time, there is an inherent reason as to why they would want to have quality materials used to construct the project.

Discussion ensued on existing guidelines for reviews on project quality. Mr. Fujimoto stated that besides looking at whether a project's plan and specs are in compliance with the general objectives of the programs, there are no specific guidelines used for project quality. Mr. Ueki added that there are also checks and balances with regard to the tax credit equity investor, who becomes the owner of the project, having an inherent reason to provide a project of quality, including the primary first lender from the bank to ensure their investment is protected for the long run.

Chair Pulmano asked if anyone would like to provide testimony on the matter.

Mr. Kevin carney, EAH housing, stated that the type of products used for their projects are the best product they can afford because they manage what they develop.

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Ms. Betty Lou Larson, Partners with Care and Catholic Charities, expressed her concern regarding project rents starting at the higher end and asked that the Board monitor/track the impacts of those rents.

Ms. Makani Maeva, Ahi Group, formerly known as the Vitus Group, stated that the developer has to balance project cost with quality of materials in order to keep rents stable in operating and maintaining a project. Furthermore, Ms. Maeva stated that she supported the QAP's proposed changes and move towards production in getting more units, expressing her appreciation for staff's work.

Deputy Attorney General Ching informed the Board and public that action taken this month explicitly implies that the Board is recommending the contents of the QAP that will proceed to the public hearing. Any changes are needed to be made at this meeting. Items A and C will be brought to the Board for consideration at the February 11, 2016 Board of Directors Meeting.

DAG Ching opened for questions.

With no further questions, Chair Pulmano called for the vote.

The motion was unanimously carried, as noted.

Chair Pulmano expressed her appreciation and thanked Mr. Ueki, Jocelyn Iwamasa, Patrick Inouye, Lawrence Pulido, and Janice Takahashi, for all their hard work.

Chair Pulmano introduced new Board Director Denise Iseri-Matsubara, Special Assistant, Office of the Governor. Director Iseri-Matsubara noted her experience in the various State agencies, which included the Department of Hawaiian Homelands, UH West Oahu, and Office of Hawaiian Affairs. In addition to Ms. Makani's comments, Director Iseri-Matsubara commended HHFDC, individually thanking Janice Takahashi, Darren Ueki, and Craig Hirai for his leadership.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 079 attached as Exhibit E, which provides approve to issue revenue bonds of up to \$24,200,000 for the Kunia Village project, subject to the provisions and conditions recommended in Exhibit D.
- B. Increase the Federal 4% LIHTC reservation to \$1,305,423 from \$1,000,565 and increase the State 4% LIHTC reservation to \$652,711 from \$500,282
 - 1. All other terms and conditions of the Federal and State 4% LIHTC reservation remain the same.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Abe

That staff's recommendation be approved.

Mr. Ueki presented the For Action, noting that there were changes made to the Kunia Village (Project) budget that resulted in a net increase of approximately \$5.4 million attributed to increases in construction costs and lender requirements. The increase is expected to be offset by an increase in Low Income Housing Tax Credit (LIHTC) equity, Deferred Developer fees, and operating income and reserves.

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

Approve: (1) Resolution No. 079, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds; and (2) a request from the Developer to Increase the Low Income Housing Tax Credit Reservation for the Kunia Village Project Located in Kunia, Oahu, TMK Nos.: (1) 9-2-005: 023 CPR 0003 and 0004

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Construction of the Project is anticipated in February 2016, with completion of the Project in December 2016.

Resolution No. 079 authorizes the issuance, sale, and delivery of mortgage revenue bonds, also approving and authorizing related actions, execution, and delivery of related documents and agreements.

Mr. Ueki opened for questions, along with Ms. Denise Boswell, on behalf of the Project.

In response to Vice Chair Taira, Mr. Ueki stated that the Project is an existing plantation camp that the Applicant plans on restoring, rehabbing, as well as providing new construction.

In response to Director Abe, Mr. Ueki concurred that the residents are responsible for payment of their utilities and general maintenance of their units.

In response to Chair Pulmano, Ms. Boswell stated that the Project's building permits are in process.

Mr. Ueki stated that this is the final approval for issuing the bonds, with closing anticipated in February 2016.

In response to Vice Chair Taira, Ms. Boswell stated that rents will go up to \$1600 - \$1900; however, tenants will only pay 30% of their income through the Rental Assistance program.

In response to Director Abe, Mr. Ueki stated that the rents are fixed on an annual basis in accordance with the HUD income guidelines and LIHTC program.

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:

- A. Resolution No. 080, attached as Exhibit E, which provides approval to issue revenue bonds of up to \$9,450,000 for the Kaneohe Elderly project, subject to the provisions and conditions recommended in Exhibit D 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 Kahele

That staff's recommendation be approved.

Mr. Ueki presented the For Action, stating that the closing of this transaction for the Kaneohe Elderly (Project) is anticipated to be no later than February 2016.

Mr. Ueki opened for questions, along with Ms. Makani Maeva and Mr. Paul Fortino, on behalf of the Project.

In response to Director Kahele, Mr. Ueki stated that the City and County of Honolulu owns the land.

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:

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

Approve Resolution No. 080, Authorizing the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kaneohe Elderly Project Located in Kaneohe, Oahu, TMK No.: (1) 4-5-028-008

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

- A. Approve Resolution No. 081, attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to \$12,000,000 for the East Kapolei II LDA 2-Family Rental Phase 1 project subject to the provisions recommended in Exhibits C and E.
- B. Reserve up to \$811,352 in annual Federal LIHTC and \$405,676 in annual State LIHTC from the non-volume cap pool (4% LIHTC) for the East Kapolei II LDA 2 – Family Rental Phase 1 project subject to the provisions recommended in Exhibits D and E.
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Mr. Ueki presented the For Action, noting that although the Project Budget reflects a \$10.6 million from the HMMF bond program, \$12 million is being requested in the event there are cost increases to the bond amount.

Construction is anticipated to start in November 2016, with Project completion in June 2018.

The Inducement Resolution is a non-binding resolution that states the HHFDC's intent to issue tax-exempt revenue bonds for the East Kapolei II LDA 2 – Family Rental Phase 1 (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 for 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 approval of the Department of Budget and Finance and the Governor.

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

Mr. Ueki opened for questions along with Ms. Monika Mordasini Rossen, on behalf of the Project.

In response to Director Abe, Ms. Mordasini Rossen stated that the one-bedroom units' rent schedule varies based on the affordability restrictions served.

In response to Director Kahele, Ms. Mordasini Rossen stated that the location of the Project is in Ewa Beach, down the road from the CROC Center, within the Mutual Housing affordable development.

Chair Pulmano asked when the Project would come back to the Board for the actual issuance. Mr. Ueki stated that further discussions will allow for the various parties involved to determine a timeline schedule. Ms. Mordasini Rossen stated that they anticipate to return in October 2016.

Mr. Ueki stated that discussions on how this process could be accelerated were held with Director Iseri-Matsubara and developers, revealing that HHFDC is only one part of the whole process. Therefore, staff works closely with the developers in efforts to speed up its process as efficiently as possible.

With no further discussion, the motion was unanimously approved.

**DECISION
MAKING**

Approve: (1) Resolution No. 081, 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 East Kapolei II LDA 2 – Family Rental Phase I Project Located in Ewa Beach, Hawaii, TMK No.: (1) 9-1-017:109

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Chair Pulmano called for a recess at 9:55 a.m.

RECESS
9:55 a.m.

The meeting reconvened at 10:01 a.m.

RECONVENED
10:01 a.m.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following allocation and loan terms for a total DURF permanent loan of up to \$7.8 million including principal of up to \$5 million and accrued interest and fees of up to \$2.8 million between the Residential and Commercial Units at the Senior Residence at Iwilei affordable elderly rental housing project, in Iwilei, Oahu, Hawaii, TMK (1) 1-5-007: 002, unless otherwise approved by the Executive Director, substantially as described in this For Action:

- A. DURF permanent loan for the Residential Unit of up to \$7.4 million including a principal amount of up to \$4.7 million and up to \$2.7 million in accrued interest and fees;
- B. DURF permanent loan for the Commercial Unit of up to \$0.4 million including a principal amount of up to \$0.3 million and up to \$0.1 million in accrued interest and fees; and
- C. The Executive Director is authorized to take all actions necessary to effectuate the purposes of this For Action,

Subject to the following:

- D. Approval and execution of necessary documents by the Executive Director; and
- E. Compliance with all laws and rules, and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved, seconded by Director Abe

That staff's recommendation be approved.

Development Section Chief Stan Fujimoto presented the For Action, stating that the developer is requesting that its Hawaii general excise and County surcharge (GET) taxes for development of its commercial space in the amount of \$277,980 be forgiven due to the understanding that such gross income was exempt from such taxes based upon HHFDC's previous approvals for such exemptions.

Staff proposed that a portion of the DURF permanent loan be allocated for the GET taxes, by conversion of the DURF interim loan into two permanent loans for each of the residential and commercial units, with a principal totaling no more than \$5 million.

Mr. Fujimoto opened for questions, along with Ms. Karen Arakawa, on behalf of the developer.

In response to Vice Chair Taira, Mr. Fujimoto confirmed HHFDC's proposal. Executive Director Hirai added that the misunderstanding was an oversight on staff's part and that the GET taxes for the commercial area should have been a part of the project cost.

Vice Chair Taira commented that staff be cognizant of this experience and plan accordingly for all future GET projects.

With no further discussion, the motion was unanimously approved.

III. E.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an
Amendment to the
Dwelling Unit
Revolving Fund
Permanent Loan to
Allocate and
Approve Loan Terms
Between the
Residential and
Commercial Units
for the Senior
Residence at Iwilei
Project Located in
Iwilei, Oahu,
TMK No.: (1)
1-5-007: 002

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Staff's recommendation was presented as follows:

That the HHFDC Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2015.

Vice Chair Taira moved, seconded by Director Abe

That staff's recommendation be approved.

Interim Chief Financial Officer Lorraine Egusa presented the For Action, stating that the audit of the HHFDC financial statements for fiscal year ended June 30, 2015 was completed by Accuity LLP and issued. Increases and decreases of the HHFDC's assets and pension liabilities were highlighted.

Ms. Egusa opened for questions, along with former Chief Financial Officer Ann Nakagawa.

Vice Chair Taira asked if training would be provided for the Board. Chair Pulmano concurred and asked that training on the financial statements be placed on a future agenda.

In response to Director Spindt, Ms. Egusa stated that HHFDC is not fully funded in pension liabilities. Ms. Nakagawa stated that the purpose for the accrual number was to inform and assist the Legislature in its plans for future funding.

With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai stated that the administrative bills should be public no later than January 25, 2016.

In response to Vice Chair Taira, Executive Director Hirai noted the following proposed budget amounts, totaling approximately \$130 million:

- RHRF – \$75 million
- DRUF – \$25 million
- Alder St. project – \$15 million
- LIHTC – 8\$ million
- Waiahole Water System – \$6.5 million

Director Kahele asked how the general public could obtain information on new development projects that are coming up and where could they go to get applications. Mr. Ueki stated that a list of awarded projects are placed on the HHFDC website, along with contact information of the owner/developer and/or property manager for any questions. Mr. Prahler added that on the Development side, projects requesting for a DURF loan or 201H exemption are required to contact the Neighborhood Board.

Discussion ensued on the lack of venues for the general public to obtain affordable housing information. Vice Chair Taira suggested that a contact list of all projects be provided and updated as needed, on the HHFDC website. Mr. Ueki stated that staff will look into the matter and clarified that for sale projects are not in the control of the agency, but rather through a developer's own advertisement. It was noted that Housing Information Specialist Kent Miyasaki would be the point of contact for HHFDC regarding any housing information.

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

Vice Chair Taira moved, seconded by Director Abe

To adjourn the meeting at 10:25 a.m.

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

Accept the Audited Financial Statements of the Hawaii Housing Finance and Development Corporation for the Fiscal Year Ended June 30, 2015

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**VI.
ADJOURNMENT
10:25 a.m.**

The motion was unanimously carried.



RONA FUKUMOTO
Secretary