

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, FEBRUARY 11, 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, February 11, 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:

Present: Director Leilani Pulmano, Chair  
Director Edwin Taira, Vice Chair  
Director Melvin Kahele  
Director Audrey Abe  
Director Milo 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  
Kristi Maynard, Chief Financial Officer  
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  
Gloria Inafuku, Housing Finance Specialist  
Ken Takahashi, Housing Development Specialist  
Christopher Woodard, Property Management Coordinator  
Lisa Wond, Planner  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Randy Hiu, Ikaika Ohana  
Marian Gushiken, EAH

A quorum was present.

Vice Chair Taira moved, seconded by Director Abe

That the minutes of the Special Meeting held on December 16, 2015 be approved as circulated.

The motion was unanimously approved.

Vice Chair Taira moved, seconded by Director Fukumoto

That the minutes of the Regular Meeting held on January 14, 2016 be approved as circulated.

**CALL TO  
ORDER/  
ROLL CALL**

**QUORUM**

**II. A.  
APPROVAL  
OF MINUTES  
12/16/15  
Special  
Meeting**

**II.B.  
APPROVAL  
OF MINUTES  
01/14/16  
Regular**

The motion was unanimously approved.

Meeting

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated August 21, 2014, for the RHRF Loan for the Ola Ka 'Ilima Artspace Lofts project to February 28, 2017, subject to the requirements as set forth in the For Action dated August 14, 2014; 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 Manager Darren Ueki presented the For Action and stated that the Ola Ka 'Ilima Artspace Lofts (Project)'s restructured 4% Financing Structure is under review.

The Project anticipates starting construction in November 2016, with Project completion in May 2018.

Based on progress made in the basic milestone areas of site control, zoning approvals, and financing commitments, staff is proposing Board approval for the requested extension.

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

Director Spindt asked about the return of the 9% Low Income Housing Tax Credits (LIHTC). Mr. Ueki stated that the 9% LIHTC were returned because the Project could not meet its scheduled deadline (a project has 2 full calendar years after being awarded to be placed in service) and the returned credits were reallocated to another project. The Project has since restructured its financing to a 4% bond deal, currently under review by staff.

Discussion ensued on the additional Rental Housing Revolving Fund (RHRF) requested and whether the Project can meet timing constraints. Mr. Ueki stated that because 4% credits generate less equity, the Project is requesting for an additional \$4 million in RHRF monies (totaling an aggregate amount of \$7.75 million). By keeping the original RHRF loan alive with specific terms will allow staff to recast the loan in its entirety rather than having two separate RHRF loans. Staff will return to the Board with its recommendations from the August LIHTC application round.

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

**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

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

Approve a Proposed 2016/2017 Qualified Allocation Plan for the Low Income Housing Tax Credit Program and

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- C. Authorize the Executive Director to take all action necessary to effectuate the purpose of this For Action.

Vice Chair Taira moved, seconded by Director Abe

To approved staff's recommendation.

Mr. Ueki presented the For Action, stating that the proposed Qualified Allocation Plan (QAP) is intended to be the allocation plan for the reservation and award of the Low Income Housing Tax Credits for the Calendar Years 2016 and 2017.

A Public Hearing for the revised QAP is scheduled on February 23, 2016.

This For Action corrects the January 14, 2016 For Action on the QAP and authorizes the Executive Director to approve the QAP, if there are no substantive amendments received through the Public Hearing process.

Director Iseri-Matsubara reiterated Governor Ige's goals for housing production (targeting 10,000 units by the Year 2020), and commented on feedback she received with respect to the 4% developer experience in criteria 12, appearing to exclude eligibility of developers with experience in the 9% credits.

Executive Director Hirai stated that he believes this would be addressed on an administrative level as oppose to something that was substantive. Mr. Ueki added that increasing or tightening the requirements of the QAP for potential applicants would require further public comment; however, in this case Criteria 12 would be loosened.

In response to Vice Chair Taira, Mr. Ueki clarified that the intention of staff was to balance efficiency and production. In previous discussions with developers who raised concern, remained to feel restricted. Although staff is open to the change, should previous problems persist, further consideration by the Board would be requested.

After further discussion, Mr. Ueki noted the proposed language to read:

- 12. 4% LIHTC Developer Experience:
a. Minimum of one (1) [4%] LIHTC project Placed in Service by the Project Owner (General or Co-General Partner/Managing or Co-Managing Member).
b. Minimum of one (1) LIHTC project currently managed by the Management Agent.

Chair Pulmano asked staff if "or" would be considered. Mr. Ueki responded no, stating that staff is looking for experience in both the credit program and management. Mismanagement of the credits could lead to the loss of credits.

With no further discussion, the motion was unanimously approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approves the following:

- A. The Approved Project List for the FY2016 Funding Round 1 for Project Awards, subject to the following provisions and conditions:
1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;

Authorize the Executive Director to Approve the Final 2016/2017 Qualified Allocation Plan for the Low Income Housing Tax Credit Program With No Substantive Amendments Following Public Hearing

III. C. DISCUSSION AND/OR DECISION MAKING Adopt the Approved and Rejected List for the Rental Housing Revolving Fund Project Awards for the FY 2016 Funding

2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
3. HHFDC may elect to select, reject, or defer an applicant's request, if HHFDC judges such action to be in the best interest of the RHRF program;
4. The amount of an award is subject to availability of RHRF Program funds;
5. HHFDC is not obligated to approve or fund the full amount of an applicant's request;
6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC and its legal counsel;
7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;

- 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 Fukumoto

That staff's recommendation be approved.

Mr. Ueki presented the For Action, stating that this is a procedural requirement of the RHRF. Five applications were received in August 2015, in which applicants were given the opportunity to further clarify intentions, however, no information was allowed to be changed within the application.

The availability of funds for the RHRF Program is approximately \$20,350,267, which does not include the amount appropriated during the last legislative session.

No applications were placed on the Rejected Project List.

The approval of the Approved List does not obligate or guarantee that an applicant will receive funding.

Mr. Ueki noted a correction on page 2 of 3, section III. G., to read as follows:

The following projects applying for RHRF project awards in the FY201[5]6 funding qualify for the second priority for funding.

Recommendations for project awards and additional details will be provided in separate For Actions in the upcoming months and the Approved Project List shall remain in effect until the awards are made to the projects or until a new project list is approved.

Mr. Ueki opened for questions.

Director Salaveria asked on the amount appropriated for the RHRF during last legislative session. Mr. Ueki stated that \$40 million was appropriated and would be in addition to the \$20 million amount available.

Vice Chair Taira asked whether projects in tier 2 could be moved up to tier 1, if more monies were received from the current Legislation. Mr. Ueki concurred,

however, noted that projects placed in tier 1 typically depletes all resources within the RHRF.

Director Salaveria asked when the next funding round would be expected. Mr. Ueki stated that depending on the QAP Public Hearing, applications for the second round are anticipated for April 2016, with receipt of applications in mid-June 2016, and awards in August/September 2016. Furthermore, based on the resources available, a second funding round for bonds, 4% LIHTC, and RHRF may be held in early fall.

Mr. Ueki stated that the normal cycle of the consolidated applications be reinstated to allow for the release and distribution of the consolidated applications by November/December 2016, with applications received back in February 2017, awards made in May/June 2017, and if resources are available – a second funding round in August 2017.

Director Iseri-Matsubara commended and thanked Mr. Ueki and the Department for its efforts on the QAP, stating that the developer community has expressed their appreciation and positive comments.

Mr. Ueki recognized Housing Finance Specialists Patrick Inouye and Jocelyn Iwamasa, who worked on the QAP.

With no further discussion, the motion was unanimously approved.

Mr. Ueki presented the For Information, stating that the National Housing Trust Fund Program (HTF) was created by Title 1 of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289), for the purpose of providing grants to State governments to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low – (30% AMI) and very low-income (50% AMI) households, including homeless families. Allocation for the HTF program is less than \$1 billion, and therefore, must benefit those at 30% AMI and below.

**III. D.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Discussion on the  
National Housing  
Trust Fund Program

Based on discussions with the counties of Hawaii, Kauai, Maui, the City and County of Honolulu, and input from HUD, proposed guidelines to administer the HTF program were noted, which staff anticipates to present to the Board for approval at the March 10, 2016 Board Meeting.

With an estimated minimum of \$3 million for all states, the HHFDC, the designated HTF grantee for the State of Hawaii, will be required to use the annual grant for households earning 30% AMI and below. Eligible activities were noted to include acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities.

Due to the state's need for more affordable rental housing, the focus of the HTF program's allocated funds will be solely for rental housing activities.

HHFDC must submit a HTF allocation plan as part of its annual action plan in order to receive the grant from HUD. Staff is proposing that the HOME program serve as the model for how the HTF allocation will be administered, being split evenly between the City and County of Honolulu and the designated county receiving the rotating HOME fund allocation. The City and County of Honolulu and the County of Kauai are anticipated to receive the HTF allocation for 2016.

The annual action plan is required to describe how the funds will be distributed, activities undertaken, application requirements, section criteria for applications that meet the State's priority housing needs, and establish maximum per-unit development subsidy limits.

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The HTF allocation must be committed within 24 months of HUD's execution of the grant. If a designated county is unable to select an eligible activity within the 24-month timeframe, HHFDC will seek alternative activities from any of the remaining counties.

The HTF allocation plan may be amended by the Board to address any revisions necessary to ensure compliance with the HTF program.

HUD intends to solicit public comments on the HTF interim rules once funding is available. However, HHFDC is not to submit its HTF allocation plan to HUD until the HTF formula allocations are published, which are anticipated in April 2016.

In response to Vice Chair Taira's questions on the length of commitment for the HTF program and the number of units able to be produced with the \$3 million allocation. Staff responded that the HTF program is anticipated to be a permanent program and the units produce would depend on the location and size of the project.

In response to the Board, Mr. Ueki explained that staff believes by combining both the HTF and HOME allocations is the most efficient way in administering the funds, in which all counties have agreed to in previous discussions.

Director Salaveria asked whether the County of Honolulu applies for their own HTF allocation as they do with the HOME program. Mr. Ueki responded no, stating that this is a statewide program.

Director Salaveria asked whether there was a possibility to continue to provide additional assistance to the neighbor islands, being that a significant amount of affordable housing development is on Oahu. Mr. Ueki stated that through its experience with the HOME program, smaller amounts of funding have shown to be difficult to administer and is not equitable. However, other options could be explored.

Discussion ensued on whether the HTF allocation should be utilized for additional affordable housing on the neighbor islands. Mr. Ueki stated that the Board does have the authority to decide how the HTF is allocated and reserves the right to take back the funds at any time and re-disburse accordingly if a county is not able to meet the deadlines.

Director Spindt asked whether the HOME funds and HTF allocation could be combined for a project serving 30% and below the AMI. Mr. Ueki concurred, stating that is what is anticipated.

Vice Chair Taira asked what the commitment period was for the HTF. Mr. Ueki stated that a project would need to commit within 24 months after awarded and 5 years to expend the funds.

Designee Kami asked whether the HTF allocation could be combined with another existing fund, such as the HOME or Low Income Housing Tax Credit (LIHTC) programs, being that juggling 4 or 5 different funds as oppose to 4 or 5 requirements are difficult. Mr. Ueki stated no. Ms. Inafuku added that although there are similarities between both programs, HUD envisions the HTF allocation as funds that need to be leveraged with other types of funding like the LIHTC program.

In response to Director Abe, Ms. Takahashi stated that there is data provided in a housing study, which shows that the biggest demand on Oahu are those earning 30% AMI and below.

Director Fukumoto asked whether there was a county project ready. Mr. Ueki stated that the counties have been informed and are in progress of possible projects. Ms. Inafuku noted that Kauai is project ready and is anticipated to receive the 2016 Home monies.

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In response to Vice Chair Taira, Planner Lisa Wond stated that she is anticipating to return to the Board in May 2016 for the Board's consideration of its Annual Action Plan, with a substantial amendment to the Plan to include the HTF sometime in the summer/fall of 2016. The counties will also need to do a substantial amendment in order to receive HTF funding.

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

Executive Director Hirai introduced HHFDC's new Chief Financial officer Kristi Maynard. The Board welcomed Ms. Maynard.

Ms. Maynard thanked staff and the Board for the opportunity.

Mr. Ueki welcomed back and introduced Housing Finance Specialist Dean Sakata, who is returning to HHFDC and will be working with the Multi-Family and Single-Family programs.

Executive Director Hirai reported on the following Administration Bills:

House Bill 1962/Senate Bill 2093: restores the conveyance tax collection to the rental housing revolving fund to 50%. (Alternative vehicles for House Bill 2303 and Senate Bill 2832, which are dead).

House Bill 2293/Senate Bill 2822: enables the HHFDC to develop mixed-use developments and partnership with State and County Departments and Agencies. Has been heard by the House and is being referred to the House Finance Committee.

House Bill 2294/Senate Bill 2823: authorizes the HHFDC Board of Directors to set the salary of the HHFDC Executive Director, in an amount not to exceed the salary of the Director of Business, Economic, Development and Tourism. (Dead in the House)

House Bill 2302/Senate Bill 2831: establishes the Hawaii Interagency Council for Transit Oriented Development within DBEDT. Bill will be heard tomorrow with the House Water Land Committee.

House Bill 2304/Senate Bill 2833: reduces the recovery period for the State Low Income Housing Tax Credit from 10 years to 5 years. (Dead in House)

House Bill 2305/Senate Bill 2834: authorizes the creation of Regional State Infrastructure Improvement Subaccounts with the Dwelling Unit Revolving Fund. (Passed by Housing to House Finance)

HCR 13, 14, 15, and 16/SCR 10, 11, 12 and 13: Approving the sale of the leased fee interest for 4 properties, one of which is on ceded land.

Executive Director Hirai opened for questions.

In reference to a meeting on a proposed purchase option-lease program, Director Salaveria stated that the private sector is looking at opportunities to provide homeownership to individuals who do not have the capability of having a down payment and suggested that a presentation to the Board be done, as a possible tool in the portfolio of HHFDC's mission.

Chair Pulmano asked that staff further explore the purchase option-lease program before scheduling a presentation before the Board.

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

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

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Vice Chair Taira moved, seconded by Director Salaveria

To adjourn the meeting at 10:23 a.m.

The motion was unanimously carried.

VI.  
ADJOURNMENT  
10:23 a.m.

  
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RONA FUKUMOTO  
Secretary