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 10, 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, March 10, 2016, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

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 Rona Fukumoto, Secretary
Director Audrey Abe
Director Milo Spindt
Director Luis Salaveria
Director Denise Iseri-Matsubara

Executive Director Craig Hirai

Excused: Director Melvin Kahele
Director Rodrick Becker (for Director Wesley Machida)

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
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
Dean Sakata, 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
Jason Takata, Property Management Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Monika Mordasini, Michaels Development
Stanford Carr, SCD
Christopher Oakes, SCD
Doug Bigley, UHC
Tom Fischer, UHC
Mig Saenz, UHC
Delene Osorio, Big Island Housing Foundation
Randy Hiu, Ikaika Ohana
Lowell Chun, Pacific Catalyst, LLC
Timothy Yi, Samkoo
Andrew Gomez, StarAdvertiser
Andre Wooten, 22nd Century Housing
Greg Barbour, NELHA

Jon Wallenstrom, Forest City

A quorum was present.

QUORUM

Vice Chair Taira moved, seconded by Director Abe

II. A. APPROVAL OF MINUTES 02/11/16 Regular Meeting

That the minutes of the Regular Meeting held on February 11, 2016 be approved as circulated.

The motion was unanimously approved as circulated.

III. A. DISCUSSION AND/OR DECISION MAKING Approve an Extension to Resolution No. 072, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kamana Elderly Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-056: 022

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 Kamana Elderly Apartments project to March 31, 2017; 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 Fukumoto

That staff's recommendation be approved.

Finance Manager Darren Ueki presented the For Action, stating that staff is recommending approval for a Hula Mae Multi-Family (HMMF) extension request for the Kamana Elderly Apartments (Project) based on progress made in site control, zoning approvals, and financing commitments.

Construction is set to begin in June 2016, with the first building being completed in September 2017 and the last building being completed in October 2017.

If the Project is deemed feasible, staff will present a separate For Action for the approval of the actual issuance, sale, and delivery of the bonds, subject to the availability of volume cap, as well as approval by the Department of Budget and Finance, and the Governor.

Mr. Ueki opened for questions, along with Mr. Doug Bigley and Mr. Tom Fischer, on behalf of the Project.

In response to Director Salaveria, Mr. Ueki concurred, stating that this is the first HMMF extension for the Project.

With no further discussion, the motion was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING Approve: (1) Resolution No. 082, Which Amends Resolution No. 072 by Increasing the Intended Private Activity Bond Issuance Amount and (2) a Request from the Applicant to Increase the Low Income Housing Tax Credit

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 082, attached as Exhibit H, which amends Resolution No. 072 by increasing the intended tax-exempt issuance amount form the HMMF Bond Program to $8,150,000 from $7,300,000 for the Kamana Elderly Apartments project.

   1. Subject to the provisions and conditions of Exhibits E & G.

   2. All other terms and conditions of Resolution 072 remain the same.

B. Increase the reservations of 4% Federal LIHTC to $559,160 from $478,543 and 4% State LIHTC to $279,580 from $239,271.

Reservation for the Kamana Elderly Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-056: 022

1. Subject to the provisions and conditions of Exhibits F & G.

2. All other terms and conditions of the Federal and State LIHTC reservation approved by the HHFDC Board of Directors on March 12, 2015, 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, stating that there was an increase in the project budget for the Kamana Elderly Apartments (Project) primarily attributed to higher construction costs. Increases will be absorbed by a $1,828,412 increase in 4% Low Income Housing Tax Credit (LIHTC) equity, a $418,000 increase in permanent HMMF Bonds, and a $224,167 increase in a Seller Takeback Loan.

Mr. Ueki opened for questions, along with Mr. Doug Bigley and Mr. Tom Fisher, on behalf of the Project.

Director Salaveria asked for insight on the contributing factors that attributed to increase in cost. Mr. Bigley stated that cost increases are primarily due to the lengthy approval process, older buildings increasing the scope of work to bring up to code, and longer affordability periods that would require more funding to maintain (i.e., requiring rehabilitated projects to elect an affordability minimum of 65 years or more)

Director Fukumoto asked for an example of a DCAB upgrade request. Mr. Bigley stated that amenities and community facilities would require a path of travel, creating additive costs to the Project.

Director Abe asked whether the electrical costs could have been determined before the commencement of the Project. Mr. Bigley stated that there is tension between competing agendas of the various departments that increases the scope of work and therefore, increase unplanned costs.

With no further questions, the motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve a Rental Housing Revolving Fund Project Award For the East Kapolei II LDA 2 – Family Rental Phase 1 Project Located in Ewa Beach, Hawaii, TMK No.: (1) 9-1-017: 109

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. A RHRF Project Award Loan of $7,770,000 to The Michaels Development Company I, L.P. on behalf of East Kapolei II Phase 11, LLC or another limited liability partnership, limited liability company or limited partnership to be formed by them for purposes of developing, owning, and operating East Kapolei II LDA 2 – Family Rental Phase 1, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:

1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.

2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the

RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.

3. Completion of all documentation necessary and required to secure the release of RHRF funds.

4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed $1,365,132.

6. Availability of RHRF program funds.

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, providing an overview on the Rental Housing Revolving Fund (RHRF) Project Award Program and previous financing approvals for the East Kapolei II LDA 2 (Project).

The Developer is requesting that a margin for budget increases be applied to its Hula Mae Multi-Family Bond (HMMF) Program amount from $10.65, which meets the 50% Test for tax-exempt bonds, to $12 million.

Construction is to begin in November 2016, with the first building being completed in May of 2018 and the last building being completed in June 2018.

In reference to the RHRF Loan terms, Mr. Ueki noted that during its underwriting process, it was determined that the Project would not be able to pay back any principal at the requested 3% interest rate, and therefore, an interest rate of 0.75% in years 4 through maturity is being recommended. There will be no disbursement of the Developer's Fee until satisfactory completion of the Project is obtained.

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

Director Salaveria questioned the current proposed financing structure meeting the 50% Test. Mr. Ueki stated that with a total budget cost of $21.35 million the $10.65 million will meet the 50% Test for tax-exempt bonds. Furthermore, in the event project costs do increase, by allowing the margin, staff save time on not having to return to the Board. However, staff will be keep the Board appraised of any changes.

Director Salaveria asked when the HMMF bonds would be issued. Mr. Ueki stated that today's Board approval would commence further discussions to allow staff and the Developer to plan a timeline schedule.

In reference to staff's proposed loan terms, Director Abe asked why the interest rates were dropped. Mr. Ueki reiterated that if the interest rate was kept at the requested 3% at years 4 through maturity the Project would not be able to pay down the principal and would owe more money than borrowed. By dropping the interest rate to 0.75%, the Project would be able to pay back approximately 85% of the loan over the life of the loan and at that point would be able to seek other financing to pay off the remaining balance or restructure at the end of the loan term.

In response to Chair Pulmano, Ms. Mordasini stated that they do agree to the loan terms and anticipate their building permits in October 2016.

With no further discussion, the motion was unanimously approved.

III. D. DISCUSSION AND/OR DECISION MAKING
Approve: (1) Resolution No.: 083, 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 Hale Kewalo Project Located in Honolulu, Hawaii, TMK Nos.: (1) 2-3-007: 049 and 026

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Resolution No. 083 attached as Exhibit F, which provides for official intent with respect to the issuance of revenue bonds up to $31,500,000 for the Hale Kewalo project subject to the provisions and conditions recommended in Exhibits C and E.

B. Reserve up to $1,880,416 in annual Federal LIHTC and $940,208 in annual State LIHTC from the non-volume cap pool (4% LIHTC) for the Hale Kewalo project subject to the provisions and conditions recommended in Exhibits D and E.

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 Fukumoto,

That staff's recommendation be approved.

Mr. Ueki provided an overview of the HMMF Bond Program, stating that under the HMMF Bond Program the Corporation can issue tax-exempt revenue bonds to provide below market financing to private developers or owners of affordable housing projects. For Fiscal Year 2016, the State has received $302,375,000 in private activity bond cap.

Construction is set to start in March 2017, with project completion in May 2018.

The approval of the Inducement Resolution is non-binding and states HHFDC's intent to issue the tax-exempt revenue bonds, facilitating further discussions and negotiations between staff, the developer, the underwriter, and Bond Counsel to determine the overall feasibility of the contemplated Project. Furthermore, approval of the Inducement Resolution recognizes eligible expenditures made by the developer 60 days prior to the approval that can be reimbursed from bond proceeds.

If the bond issue is deemed 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.

Mr. Ueki opened for questions along with Mr. Stanford Carr and Mr. Christopher Oakes, on behalf of the Hale Kewalo (Project).

Director Salaveria asked for a brief updated on the Project. Mr. Carr stated that construction drawing are currently in progress, with building permits anticipated to be submitted at year-end.

In response to Director Salaveria, Mr. Carr stated that he did not have any construction concerns moving forward, being that he is working with the same team that did the Halekauwila project and currently on the Keauohou Place project, who are familiar with the program.

With no further discussion the motion was unanimously approve.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve a Rental Housing Revolving Fund Project Award for the Hale Kewalo Project Located in Honolulu, Hawaii, TMK Nos.: (1) 2-3-007:049 and 026

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. A RHRF Project Award Loan of $10,600,000 to Hale Kewalo, LP for the benefit of the Hale Kewalo project, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:

1. Authorization and approval by the governor of the proposed project and the release of RHRF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.

2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHRF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.

3. Completion of all documentation necessary and required to secure the release of RHRF funds.

4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.

5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Consultant Fees, and Project management Fees, for the project shall not exceed $3,753,860.

6. Availability of RHRF program funds.

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 and went over the proposed RHRF loan terms, stating that through the underwriting process, it was determined that a lower interest of 0.75% (from 1.25%) in years 3 through maturity is being recommended.

Director Salaveria stepped out at 9:35 a.m. and returned at 9:36 a.m.

Mr. Ueki opened for questions along with Mr. Stanford Carr and Mr. Christopher Oakes, on behalf of the Project.

Director Salaveria asked about the loan term process and whether there was a disconnect between what the developers are proposing and what staff is recommending. Mr. Ueki stated that the Corporation was in a transition period during the time the application was received, in which the Board desired a certain return on the RHRF loans, while achieving its goal of affordable housing production as well as being good stewards of the State resources provided, which underline the basic parameters for the underwriting process.

Director Spindt asked how many of these loans make it to 30 years. Mr. Ueki stated that there are a handful. However, many of these loans are cash flow contingent, and the program has only been in existence from the 1990's and have not reached its maturity date. Loans on the smaller side either have been sold or refinanced. To date, there has been no default on any of the RHRF loans.

Director Abe asked whether the interest rates have been consistent. Mr. Ueki stated that over the last 4 to 5 years the interest rates have been very consistent. However, each loan is viewed on a case-by-case basis.

With no further discussion, the motion was unanimously approved.

Mr. Carr thanked the Board and stated that they looked forward to collaborating with staff to see a successful workforce rental project.

III. F. DISCUSSION AND/OR DECISION MAKING
Approve the Fiscal Year 2016 Application Cycle for the Low Income Housing Tax Credit Program and the Fiscal Year 2016 (Funding Round 2) and Fiscal Year 2017 (Funding Round 1) Application Cycles for the Rental Housing Revolving Fund Program

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approves the following:

A. The application cycle for the FY2016 LIHTC program as noted in Section III(A);

B. The application cycles for the FY2016 (Funding Round 2) and FY2017 (Funding Round 1) RHRF Project Award program as noted in Sections III (B) and III (C). All requests will be subject to the availability of funds in the RHRF program;

C. Authorize staff to begin marketing of the FY2016 (Funding Round 2) and FY2017 (Funding Round 1) RHRF Project Award application cycles; and

D. 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 this For Action is more programmatic and procedural.

For Fiscal Year 2016, both the Low Income Housing Tax Credit (LIHTC) Program and Funding Round 2 of the RHRF Program applications will be made available in April 1, 2016 and due by June 15, 2016, with recommendations expected in August/September 2016.

For Fiscal Year 2017, for Funding Round 1 of the RHRF Program, applications are also proposed to be available April 1, 2016 and due by October 19, 2016, with recommendations expected in January 2017.

A second Funding Round for Fiscal Year 2017 may be proposed to be in the first half of that calendar year, in efforts to get back on schedule due to the changes made that have caused a slight delay.

A public hearing on the proposed 2017 Qualified Allocation Plan (QAP) was held on February 23, 2016, in which testimony was received from three developers, one non-profit entity engaged in housing preservation, and one state agency. The testimony from the one state agency was subsequently withdrawn.

Under the Hawaii Administrative Rules, HHFDC is required to do an outreach marketing program on the availability of the RHRF. Therefore, staff will publish a RHRF Notice of Funding Availability on March 18, 2016.

Mr. Ueki opened for questions.

Chair Pulmano asked which state agency provided the testimony. Mr. Ueki stated that the state agency was HCDA. However, staff has been in touch with HCDA in regards to comments made.

Chair Pulmano thanked staff for all their hard work.

With no further discussion, the motion was unanimously approved.

III. G. DISCUSSION AND/OR DECISION MAKING
Approve: (1) The Hawaii Housing Finance and Development Corporation's Housing Trust Fund Allocation Plan for the U.S. Department of Housing and Urban Development's National Housing Trust Fund Program and (2) A Substantial Amendment to the Five-Year Consolidated Plan

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Approve the HTF Allocation Plan, subject to public comments; [LW1]

B. Approve the Substantial Amendment to the Five-Year Consolidated Plan to include the HTF Program and HTF Allocation Plan, subject to public comments;

C. Following the public comment period, authorize the Executive Director to make any necessary non-substantive changes; and

D. Authorize the Executive Director to take all actions 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 stated that this For Action was brought to the Board last month in the form of a For Information regarding the Housing Trust Fund (HTF) allocation from the Federal Government. In addition to approving the proposed HTF allocation plan, staff is also requesting to substantially amend the 5-Year Consolidated Plan (CP) that was approved by the U.S. Department of Housing and Urban Development (HUD) in May 2015.

As the administrators of the HTF program funds and due to tight timelines of the program, HHFDC will be looking for projects that are financially feasible, an activity in need, project readiness, and consistency.

The draft Substantial Amendment will be subject to public comments accepted through April 16, 2016, 4:00 p.m., and will be made available for review at the Regional libraries, Department of Human Services, and the housing offices of the Counties of Hawaii, Kauai, and Maui.

Upon HUD's approval of the HTF Allocation Plan, the City and County of Honolulu and the County of Kauai will be the first recipients of the allocated monies and will solicit rental housing activities to serve the HTF population. The Program Year 2016 Annual Action Plan will be subsequently amended to include the HTF activities selected by the Counties.

Mr. Ueki opened for questions.

With a lot of attention being placed on the homeless population, Director Iseri-Matsubara asked how much funding is available for the HTF program and the clause for the $1 billion or less being applied to Hawaii. Mr. Ueki stated that although there has been no official notice, HHFDC was informed from the local HUD that the State is eligible to receive approximately $3 million, which is believed to be the minimum. Executive Director Hirai added that because the total amount is less than $1 billion, under the HTF program requirements, the allotted amount will be targeted towards rental housing for those earning 30% and below the AMI.

Mr. Ueki further responded to Director Iseri-Matubara's follow up questions, stating that although the program start date is uncertain, HUD felt the need to get this request done to be in a position to execute, assuming that there are no major changes to the program once it comes out. Furthermore, the Federal HTF program funds would be received by the HHFDC on behalf of the State, in which the HHFDC, in turn, would enter into a sublease agreement with the Counties to carry out.

In response to Director Salaveria, Mr. Ueki clarified that the draft HTF Allocation Plan was built with the HOME Program in mind. Although similar to the HOME program, the HTF program will have tighter criteria and timelines. Mr. Ueki also concurred that allocation of the anticipated $3 million would be subject to the Board's decision in terms of allocation of the funds to the individual Counties.

Director Salaveria asked whether staff could inquire feedback from HUD on whether it would be a good idea to allocate the entire HTF funds towards the development of affordable housing on the Neighbor Islands. Housing Finance Specialist Glori Ann Inafuku stated that the HTF funds are to be distributed geographically statewide based on the priority needs. Furthermore, funding for the HTF program is only available to the State as oppose to the HOME program of which the County of Honolulu receives its own allocated funding amount.

Chief Planner Janice Takahashi stated that based on housing data received, the housing need is statewide, with the greatest need on Oahu.

Mr. Ueki added that in its discussions with the Counties, the current rotation distribution was deemed fair and equitable in terms of timing and development planning. Furthermore, with the HTF program being stacked with the HOME program, funds would be doubled, providing greater support for eligible activities.

Director Salaveria stated he believes staff did a good job, but felt there was a need to further discuss leveraging its capital on a policy level moving forward, to see how these types of funds should be deployed.

Discussion ensued on the distribution of funds being allocated on a competitive basis versus rotational. Ms. Inafuku stated that in discussion with the Counties, concerns expressed dealt with time spent on doing an application without funding guarantees, resulting in the agreed upon annual allocation rotation.

Program requirements of the HTF and HOME programs were compared further.

Chair Pulmano asked whether the allocated funds should be rotated among all the Counties (Including Honolulu) as oppose to just the Counties of Hawaii, Kauai, and Maui. Executive Hirai reiterated Ms. Takahashi statement of the greater need being on Oahu.

Wanting to see more shelters built, Director Fukumoto asked whether the HOME funds could be used for the development of shelters. Ms. Inafuku clarified that none of the monies from HOME or the HTF programs can be used for the development of shelters.

Director Spindt asked what is the AMI requirement for the HOME funds. Mr. Ueki stated 80% AMI and below.

In response to Chair Pulmano, Director Salaveria clarified that the draft Consolidation Plan and Allocation Plan will go out for public comment once the Board approves this For Action.

Discussion continued on program timelines and the rational for distribution of the funds between the different Counties in order to meet the needs statewide and funding eligibility.

In response to Director Abe, Mr. Ueki stated that as the administrator of the funds, HHFDC is held accountable, and therefore, selects to ensure a commitment is made to an activity that is project-ready. In the event the rotating county is unable to meet its timeline, allocated funds are retracted and given to the next project-ready county. HUD determines the amount of funding that is distributed to each state by using a formula, typically by population.

Like the HOME program was changed on a rotation basis, Director Salaveria reiterated that the Board should look at how its capital could be leveraged going forward and know how these types of funds are deployed.

In response to Director Salaveria, Mr. Ueki stated that just like any program the HHFDC administers, the "best" plans are laid out, evaluated, and changed as necessary.

With no further discussion, the motion was unanimously approved.

III. H. DISCUSSION AND/OR DECISION MAKING
Approve Honolulu City Council's Approved Amendments to HHFDC's Previously Approved 201H, HRS, Exemptions Impacting Income Restrictions, Unit Mix, and Other Miscellaneous Changes for the Proposed Kapiolani Residence Project, Located in Ala Moana, Oahu, TMK Nos.: (1) 2-3-041: 009 and 006

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the City Council's approved amendments to HHFDC's previously approved 201H, HRS, exemptions impacting income restrictions, unit mix, and other miscellaneous changes for the proposed Kapiolani Residence project, located in Ala Moana, Oahu, TMK Nos.: (1) 2-3-041: 009 and 006, substantially as discussed in this For Action, subject to the following:

A. Execution of a development agreement required for such exemptions as approved by the Executive Director; and

B. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action.

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

Vice Chair Taira moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Housing Development Specialist Ken Takahashi presented the For Action, stating that the Kapiolani Residence (Project) is a proposed mixed-use residential commercial project containing 485 residential units and approximately 3,300 square feet of commercial retail space.

On September 10, 2015, this Board approved SamKoo Pacific LLC, (Developer) as an eligible developer and the proposed project including exemptions from zoning requirements pursuant to section 201H-38, Hawaii Revised Statutes.

Subsequent to the Council's adoption of the Resolution 15-277, CD1, on November 4, 2015, the Developer requested amendments relating to the unit affordability thresholds, units mix, elimination of previously approved deferral from payment of wastewater system facility charges, and adjustments to tower height and parking garage capacity which resulted from design refinements, in order to maintain the economic feasibility of the Project.

On January 27, 2016, the City Council adopted Resolution 16-6, amending Resolution 15-277, CD1.

The purpose of the For Action is to make the 201H extension consistent with the changes approved by the City Council, thereby allowing staff and the Developer to formalize a development agreement and move forward with the Project.

Mr. Takahashi opened for questions, along with Mr. Lowell Chun and Mr. Timothy Yi, on behalf of the Project.

Director Salaveria asked about the reasoning of going higher on the AMI scale as oppose to the 80% AMI and below. Mr. Lowell stated that those adjustments were proposed due to the HHFDC 201H procedure being very different from the TOD or standard zoning procedures that the City had and there were unpredictable discretionary requirements on the Project, which held up the process and increased time and money. However, after Council approval, the Project was able to maintain the 60% affordable and the cap of 120% AMI, redistributing the units accordingly, while the Project's profit margin remained the same.

Director Abe asked if there was an increase in units at the higher price range, at 120% AMI, as oppose to the 80% AMI range. Mr. Chun answered affirmatively. Mr. Prahler clarified that due to the different unit pricing structures of the HHFDC and City, there were differences in where the developer assumed the price met the 80% AMI category and the 100% category.

Discussion ensued on the AMI unit increases. Mr. Yi clarified that there is no intension of creating more units on the upper AMI category; however, there was a misunderstanding of occupancy based on the price. Therefore, the unit prices have remained the same, just a different grouping of the units under 120% AMI and below.

Director Salaveria asked whether the Project was receiving any financial support from HHFDC. Mr. Prahler responded no, stating that it was just the 201H and GET exemptions.

Director Spindt expressed appreciation for the Project offering so many units under 120% AMI.

Mr. Chun stated that the Project is trying to minimize the impacts as much as possible for the purpose of the Project and commitments made to the HHFDC and the City Council.

Mr. Chun added that the Project is currently seeking its construction permits.

With no further discussion, the motion was unanimously approved.

The Board recessed at 10:50 a.m.

RECESS
10:50 a.m.

Chair Pulmano reconvened the meeting at 10:58 a.m.

RECONVENED
10:58 a.m.

III. I. DISCUSSION AND/OR DECISION MAKING
Approve an Increase to the Dwelling Unit Revolving Fund (DURF) Loan to Forest City Hawaii Kona, LLC for the Manawalea Street Extension at the Kamakana Villages At Keahuolu Project Located in Keahuolu, North

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve an increase of $5,000,000.00 to the existing loan from the Dwelling Unit Revolving Fund to Forest City Hawaii Kona, LLC for the construction of the mauka-makai Manawalea Street Extension at the Kamakana Villages at Keahuolu Project located in Keahuolu, North Kona, Hawaii, TMK Nos.: (3) 7-4-021: 020, 024, 028, 041, and 044 to 049, 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. Availability of DURF funds;
>
> B. Approval and release of funds by the Governor;

Kona, TMK Nos.: (3) 7-4-021: 020, 024, 028, to 041, and 044 to 049

C. Approval and execution of necessary amendments to the loan documents by the Executive Director;

D. DCAB approval of the construction plans prior to commencement of construction or written confirmation from DCAB that HRS Section 103-50 does not apply to the subject plans;

E. Other conditions, unless otherwise approved by the Executive Director:

1. Approval of the TIAR MOA by the County, Forest City and HHFDC to satisfy the LUC Condition 6 of the Project, by March 31, 2016;

2. Intention by the County to accept dedication of the existing Phase IA improvements;

3. Intention by the County to accept dedication of the Manawalea Street Extension at satisfactory completion of construction;

4. Agreement by the County to allow the Manawalea Street Extension to enter and cross Lot 37, File Plan 2128, to enable the Manawalea Street Extension to connect to the existing Manawalea Street at the mauka end, if applicable; and

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

Development Section Chief Stan Fujimoto presented the For Action, stated that the Kamakana Villages (Project) is HHFDC's 2,330 unit master planned community in North Kona, Hawaii.

A Development Agreement was executed with Forest City Hawaii Kona, LLC (Forest City) and a $25 million DURF loan in March 2009, with Land Use Commission (LUC) approval and City Council 201H exemptions in November 2010. Although Phase IA infrastructure improvements were completed in 2013, condition 6 of the LUC approval required a Traffic Agreement with DOT and the County prior to final subdivision approval. The County wants the Manawalea Street extension to commence by the end of 2016 and Forest City has indicated that the Project cannot afford the Manawalea Street extension at this time.

Furthermore, in July and August 2015, the Board approved LIHTC and RHRF financing for the Michaels Development Company's senior and family rental projects. Under the HHFDC financing, the Michaels projects need to be completion by December 31, 2017.

The Manawalea Street extension meets the County's requirement for approval of the Traffic MOA, which will enable the Michaels Senior and Family affordable rental projects to proceed, also satisfying the LUC requirements for the entire Kamana Villages project. The estimated cost of the Manawalea Street extension is $6.9 million.

Under the existing DURF loan, Forest City has a remaining balance of approximately $4 million.

As of January 31, 2016, the uncommitted DURF fund balance is approximately $53 million.

Mr. Prahler provided the status of the DURF funds, stating that this request will not affect the DURF fund, being well within its limits. In addition to the Board's request, a $10 million balance in reserves has also been put aside.

Mr. Fujimoto opened for questions along with Mr. Jon Wallenstrom, on behalf of the Project.

Vice Chair Taira asked for the reasoning of the Manawalea extension. Mr. Fujimoto stated that the extension would improve circulation as a secondary access to Palani Road.

Director Salaveria asked whether the DURF loan was necessary. Mr. Fujimoto stated that the loan is necessary to build the extension and get the MOA between the County, HHFDC, and Forest City.

Chair Pulmano asked for a motion to convene in Executive Session pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities.

Vice Chair moved, seconded by Director Salaveria

That the Board convene in Executive Session at 11:09 a.m.

EXECUTIVE SESSION
11:09 a.m.

The motion was unanimously approved.

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The Board reconvened in Regular Session at 11:45 a.m.

RECONVENED
11:45 a.m.

With no further discussion, staff's recommendation was unanimously approved.

III. J. DISCUSSION AND/OR DECISION MAKING
Approve a Memorandum of Agreement with the County of Hawaii for Local Traffic Mitigation Measures at County Roadways for the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK No.: (3) 7-4-021: 020, 024, 028, to 041, and 044 to 049

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve a Memorandum of Agreement with the County of Hawaii and Forest City Hawaii Kona, LLC for traffic mitigation measures 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 049, substantially as discussed in this For Action, unless otherwise approved by the Executive Director, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to the following:

A. Separate HHFDC Board approval of a DURF budget or an increase to the DURF loan to Forest City Hawaii Kona, LLC, to enable the construction of the Manawalea Street Extension as required by the TIAR MOA;

B. Approval and execution of the TIAR MOA by the Department of Attorney General and the HHFDC Executive Director; and

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

Vice Chair Taira moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Fujimoto distributed an updated Exhibit D, based upon the most current negotiation of the MOA and updated language, in Section III. F. 6 and 7 on page 6 of the For Action.

Executive Director Hirai stated that these changes would be an amendment to the For Action.

HHFDC and Forest City have been in negotiations with the County for an MOA to satisfy Condition 6 of the LUC requirement. Agreement with the County for the TIAR MOA is required to enable Michaels' senior and family affordable rental projects to proceed.

On February 26, 2016, HHFDC, Forest City, and the County reached conceptual agreement for the County's approval of the TIAR MOA--HHFDC will seek the Board's approval of an increase in the DURF loan to Forest City to enable the commencement of construction of the Manawalea Street extension by November 1, 2016 and completion within 12 months.

The proposed traffic mitigation improvements for the MOA is listed in the attached Exhibit D to the For Action.

Mitigation improvements are completed in four Milestone periods before 600 units are completed per Milestone period, except that in Milestone Period 1, the Manawalea Street Extension is commenced before November 1, 2016 and completed within 12 months thereafter. The balance of the mitigation improvements in Milestone 1 are completed before the 600th unit.

If the identified mitigation measures prove to be socially, economically, or environmentally infeasible, it may be replaced with another improvement at an equal or lesser cost by mutual agreement of the participating parties.

Mr. Fujimoto opened for questions, along with Mr. Jon Wallenstrom, on behalf of the Project.

With no further discussion, the motion was unanimously approved.

III. K. DISCUSSION AND/OR DECISION MAKING
Approve the Governing Documents for a Master Association 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 049

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve the governing documents for a master association 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, unless otherwise approved by the Executive Director, and authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action, subject to the following:
>
> A. Review and approval of the Governing Documents by the Department of Attorney General and the Executive Director; and
>
> B. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director.

Vice Chair Taira moved, seconded by Director Fukumoto

> That staff's recommendation be approved.

Mr. Fujimoto presented the For Action, noting a correction to the TMK No. reflected within the agenda title on the For Action, to read as follows:

> "Approve the Governing Documents for a Master Association for the Kamakana Villages at Keahuolu Project Located I Keahuolu, North Kona, TMK Nos.: (3) 7-5-021: 020, o24, 028 to 041, and 044 and [~~046~~] 049."

HHFDC, Forest City, and Michaels are working on the conveyance documents to Michaels for Michaels' Senior and Family rental housing projects at Kamakana Villages. To be included in the master association for Kamakana Villages, Lots 11 A and 11B need to be encumbered by the governing documents for the master association prior to conveyance to Michaels.

Mr. Fujimoto went over the governing documents, which will include the following: (Governing Documents)

- Declaration of Covenants, Conditions and Restrictions
- Bylaws for Kamakana Community Company, Inc.
- Rules for Kamakana Community Company, Inc.
- Design Review Board Rules
- Articles of Incorporation for Kamakana Community Company, Inc. (Community Company)

The purposes of the Community Company and the Governing Documents include the following:

- Promote and sustain the sense of community of Kamakana Villages through projects and programs which fulfill artistic, cultural education and recreation needs of a vibrant community;
- Acquire, regulate, manage, repair and maintain common areas of Kamakana Villages;
- Provide certain facilities and services to owners, guests and the general public;
- Administer and enforce the Governing Documents;
- Adopt rules for the regulation and management of Kamakana Villages; and
- Levy and collect assessments.

Allocating votes and assessment liabilities for the various categories of land and types of assessments were identified.

HHFDC proposes to have the Declaration recorded, but will defer setting up the Master Association until common elements that have to be conveyed to the Master Association are identified .

Mr. Fujimoto opened for questions along with Mr. Jon Wallenstrom, on behalf of the Project.

In response to Vice Chair Taira, Mr. Wallenstrom stated that the Governing Documents and allocated votes are modeled after the Stapleton project in Denver, which is one of the most successful projects in the Country.

Discussion ensued on the breakdown of the allocating votes. Mr. Wallenstrom stated that the allocation of votes are generally based on the square footage of the various property types, per building. Mr. Fujimoto stated that one residential unit, whether it's a rental, or for sale unit has one vote.

In response to Chair Pulmano, Mr. Fujimoto stated that the HHFDC, as the "Founder," will be in control until the Kamakana Villages project is developed and completed.

With no further discussion, the motion was unanimously approved.

Director Spindt was excused at 12:00 p.m.

III. L. DISCUSSION AND/OR DECISION MAKING
Approve the Natural Energy Laboratory of Hawaii Authority (NELHA) as an Eligible Developer

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following for the joint development and dedication of the Ota Well located at Lanihau 2nd, North Kona, Hawaii, TMK Nos. 7-5-001: 165 to the Department of Water Supply for the Kamakana Villages at Keahuolu Project located in Keahuolu, North Kona, Hawaii, TMK Nos. (3) 7-4-021: 020, 024, 028 to 041, and 044 to 046, substantially as discussed in this For Action, unless otherwise approved by the Executive Director:

Pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Memorandum of Understanding with NELHA for the Joint Development of a Well Source for the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-5-001:165; (3) 7-4-021:020, 024, 028 to 041, and 044 to 049

A. Natural Energy Laboratory of Hawaii Authority (NELHA) as an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR);

B. A Memorandum of Understanding between the Hawaii Housing Finance and Development Corporation and NELHA; and

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

Subject to the following:

D. Approval and execution of the MOU by the Department of Attorney General and the HHFDC Executive Director; and

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

Director Salaveria recused himself from the vote, due to his involvement on the both the NELHA and HHFDC Boards.

Vice Chair Taira moved, seconded by Director Fukumoto

That staff's recommendation be approved.

Mr. Fujimoto presented the For Action, noting a correction to the TMK No. reflected within the agenda title on the For Action, to read as follows:

"Approve the Governing Documents for a Master Association for the Kamakana Villages at Keahuolu Project Located I Keahuolu, North Kona, TMK Nos.: (3) 7-5-021: 020, o24, 028 to 041, and 044 and [~~046~~] 049."

HHFDC and NELHA would like to enter into a Memorandum of Understanding (MOU), with consent by Forest City, for a 50% cost sharing of the planning, construction, and dedication to the Department of Water Supply (DWS) for the Ota Well. The purpose for the MOU would be to define the respective roles and responsibilities of HHFDC and NELHA in pursuing the joint development of Ota Well. NELHA, the Developer, will be responsible for completing the development and dedication of the Ota Well and HHFDC will provide financing to NELHA for 50% of the total development cost of the Ota Well (excluding land acquisition and NELHA's procurement, management and administrative services), for 50% of the capacity of the well.

The estimated total development cost is $12.63 million. Estimated financing plan is as follows:

- $2.5 million in NELHA – 2014 CIP Funds
- $3.815 million in NELHA – Future CIP Funds
- $6.315 million in HHFDC DURF Funds

If NELHA or HHFDC is unable, or chooses not to provide fifty percent of the total development costs, then the other party shall have the right, but not the obligation, to complete the Ota Well project and available water shall be divided on a pro-rata basis based on the development costs provided by each party relative to the total development cost of the project.

The estimated timetable was noted as follows:

- Execution of MOU – June 2016
- Procurement of Developer – Summer 2016
- Planning – December 2016

- Environmental Assessment – Exploratory Well – December 2017
- Completion of Exploratory Well Design and Environmental Assessment – June 2018
- Development Phase – June 2019
- Water Agreement with DWS – December 2019
- Complete Construction of Production Well – June 2020
- Dedication – December 2020

A NELHA Board of Directors meeting is scheduled for Tuesday, March 15, 2016, and staff will be presenting a similar "For Action" to their Board for consideration.

Mr. Fujimoto opened for questions, along with NELHA Executive Director Greg Barbour, and Forest City Executive Jon Wallenstrom.

Vice Chair Taira asked whether the water would be used from different wells to balance out the system. Chair Pulmano stated that the well would be adding capacity to the overall BWS system.

Discussion ensued on the well production capacity being too low. Mr. Fujimoto stated that an exploratory well is done to determine the production rate. If the well is found to be lower than capacity, an economic judgement will need to be determined as to whether the well is worth developing into a production well.

Mr. Barbour thanked Craig Hira, Stan Fujimoto, Rick Prahler, and Jon Wallenstrom, and Director Salaveria on the collaboration discussions to find a good solution that benefits not only NELHA, but affordable housing, and economic development.

In response to Chair Pulmano, Mr. Fujimoto stated that under a water agreement, the well will be dedicated to the BWS.

With no further discussion, the motion was approved, with Director Salaveria recusing his vote.

Chair Pulmano entertained a motion to go into Executive Session to approve the revised terms of the Transfer of Ownership of the Kekuilani Gardens and Nani O Puna Affordable Rental Housing Projects via long term leasehold interest to Kekuilani Gardens Partners, LP and Nani O Puna, LP, respectively, or other successor entities approved by the Executive Director.

IV. EXECUTIVE SESSION
12:15 p.m.

Vice Taira moved, seconded by Director Salaveria

> That the Board convene in executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statues to negotiate the acquisition of public property and pursuant to Section 92-5-(2)(4), Hawaii Revised Statutes, to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

The motion was unanimously approved.

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RECONVENED
1:00 p.m.

The Board reconvened in Regular Session at 1:00 p.m., with Vice Chair Taira excused at 12:56 p.m.

There being no further discussion, staff's recommendation was unanimously approved.

Chair Pulmano proceeded to the Report of the Executive Director.

V. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Hirai reported that the Rental Housing Revolving Fund got reduced from $75 million to $25 million and DURF from $25 million to $12.5 million. However, there is an estimated $30 million from the conveyance tax for the RHRF.

Chair Pulmano asked whether the conveyance cap was removed. Mr. Hirai stated no.

Director Salaveria stated that the salary bill is moving forward.

VI. ADJOURNMENT
1:02 p.m.

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

Director Iseri-Matsubara moved, seconded by Director Fukumoto

That the meeting be adjourned at 1:02 p.m.

The motion was approved.

RONA FUKUMOTO
Secretary