

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 14, 2013  
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 their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, March 14, 2013, at 9:00 a.m.

Chair Ralph Mesick called the meeting to order at 9:00 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Ralph Mesick, Chair  
Director Betty Lou Larson, Secretary  
Director Michael Ng  
Director Leilani Pulmano  
Director Paul Kyno  
Designee Luis Salaveria for Director Kalbert Young  
Designee Mary Alice Evans for Director Richard Lim

Development Branch Chief Rick Prahler for Executive Director  
Karen Seddon

Excused: Director Allan Los Banos, Vice Chair  
Director Richard Lim  
Director Kalbert Young  
Director Francis Jung

Staff Present: Sandy Ching, Deputy Attorney General  
Colette Honda, Deputy Attorney General  
Janice Takahashi, Chief Planner  
Darren Ueki, Finance Manager  
Rick Prahler, Development Branch Chief  
Stan Fujimoto, Development Section Chief  
Marlene Lemke, Real Estate Services Section Chief  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Claudia Shay, Self-Help Housing Corporation of Hawaii  
David Murphy, Brookfield Homes Hawaii, Inc.

A quorum was present.

**QUORUM**

Director Larson moved, seconded by Director Ng, to approve the Meeting Minutes of February 14, 2013.

**II. A.  
APPROVAL  
OF MINUTES**  
02/14/13  
Regular  
Meeting

Director Larson asked that the following sentence be added on page 588, under Criteria 1, at the end of the paragraph, to read: “Director Larson expressed concern that this may also result in higher rents and asked the HHFDC staff to monitor this issue.”

The motion was unanimously approved, as amended.

Director Larson moved, seconded by Designee Salaveria, to approve staff's recommendation:

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

That the HHFDC Board of Directors approve SHHCH, or other entity approved by the Executive Director, as an Eligible Developer pursuant to Section 15-307-

24 HAR, and a DURF interim loan of \$3,100,00 for the Pokai Bay Self-Help Housing Project, substantially as described in this For Action, subject to the following:

- A. Availability of DURF funds;
- B. Approval and release of funds by the Governor;
- C. Approval and execution of necessary loan documents by the Executive Director; and
- D. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Development Branch Chief Rick Prahler presented the For Action, stating that the Self-Help Housing Corporation of Hawaii is proposing to purchase the remaining 70 vacant lots and the completed roadway lot in a 125-lot single-family subdivision known as Ke Ola Pokai Bay (Project) in Waianae.

The original developer sold 55 homes before going into bankruptcy and Central Pacific Bank then sold the Real Estate Owned Property to Presidio Oahu Land, LLC, who is the seller in this transaction.

Although the infrastructure has been completed, the roadway lot has not yet been dedicated to the City and County of Honolulu (City) and all final certifications have not been issued due to pending roadway improvements estimated at \$268,000. In addition to the improvement costs, the City also requires a 1-year maintenance warranty bond for the infrastructure in the amount of \$962,000, which is returned at the end of that year period.

Due to an extension to the original Purchase and Sales Agreement dated January 11, 2012, the purchase price has increased by an additional \$200,000 from \$6.2 million, resulting in a \$3,000 increase in the cost per unit. Sales price for a house and lot will therefore be approximately \$278,000.

The Office of Environmental Quality Control (OEQC) clarified that the requirements of Chapter 343, Hawaii Revised Statutes (HRS) did not apply to the use of State funds for this project land purchase and a Phase I Environmental Site Assessment reported that no existing or potential recognized environmental conditions were identified for this site.

The Disability in Community Access Board has approved this Project and on March 5, 2013, the Project was presented to the Waianae Coast Neighborhood Board No. 24, in which 40 to 50 people were in attendance.

The Project submitted an application for a Dwelling Unit Revolving Fund (DURF) interim loan to partially fund the land purchase. Staff is proposing the following DURF loan terms:

Borrower:	SHHCH, or other entity approved by the Executive Director
Loan Amount:	Up to \$3,100,000 in interim financing (includes additional accrued interest and fees for the entire loan term)
Interest Rate:	5% per annum
Loan Fee:	1 point
Loan Term:	Two (2) years, with one (1) six-month extension at one-half percent (0.5%) of the total unpaid loan amount, at the sole discretion of the Executive Director
Mortgage Priority:	Junior Mortgage

Commitment letters from the Rural Community Assistance Corporation (RCAC) and the Housing Assistance Council (HAC) were cited in Exhibit C.

Approve the Developer as an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules, and a Dwelling Unit Revolving Fund Interim Loan for the Pokai Bay Self-Help Housing Project Located in Lualualei, Waianae, Oahu, TMK Nos.: (1) 8-6-027: 001 -004, 049-054, 064-123, and 126



Proceeds received from the Project property sales will be used to repay the DURF loan.

SHHCH is currently repaying two outstanding DURF loans of a combined loan balance of approximately \$6,204,504 for its Ma'ili III project. The HHFDC has received over \$1.2 million (9 home closings) in sale proceeds to pay down the DURF 1 loan, leaving a remaining balance of \$1.673 million, with an additional 15 home closings pending to date.

The Project team includes: SHHCH as the Developer; Kim and Shiroma Engineers, Inc. as the Project Engineer; Royal Contracting Co., Inc. as the Site Contractor; L & M Architects, Inc. as the Architect; and Tom Quitiquit Chee and Watts, LLP as the Legal Counsel.

The DURF payoff is anticipated by November/December 2013.

In February 2012, the Board approved a policy to establish an uncommitted cash reserve of \$10 million in the DURF. Current balance of the DURF fund is approximately \$64,257,283. The DURF Subcommittee's review guidelines chart in considering risk exposure for proposed DURF loans and comparison charts of the current DURF portfolio versus the proposed loan request were cited and discussed.

In response to the Board, Mr. Prahler and Developer Claudia Shay noted the following:

1. The final certifications are pending the City's approval of the roadway improvements with the drainage system, street lights, and things of that nature, and will not impact the HHFDC's ability to close.
2. The Project pro forma shows enough capacity to close on all outstanding DURF loans with permanent financing arrangements being sought out with the First Hawaiian Bank, Territorial Savings, and Bank of Hawaii, with possible eligibility to use Rural Development Section 502 Guaranteed Loans.
3. The Project currently has 2,000 people on its waiting list, with approximately 600 families mortgage-ready through its pre-purchasing financial counseling.
4. There are houses already developed from the previous owner and the Project will continue to remain congruent with the existing neighborhood, with elevated area lots having ocean views.
5. The Community Board meeting went well, with 40-50 people in attendance. Inquiries on the Project were in regard to parking, traffic, and school enrollment. PowerPoint presentation and meeting agenda were noted to be made available upon the Board's request.
6. Construction of the houses would be divided among 10 families per team of 17 with each having a construction supervisor. The estimated build out period is anticipated to be twelve months for each team with new teams starting every one to two months.
7. With the land paid off at closing, the DURF Loan will be repaid before commencement of housing construction.

Director Kyno commented that based on past experiences, Ms. Shay is good at what she does and stated that he is comfortable in approving the request.

Director Larson commented that she is happy with the Project providing homeownership opportunities for low-income families in need of housing.

Ms. Shay noted that there are those in the Ma'ili project that are the children from previous families that helped 30 years ago that are now helping in the building of their own houses.

With no further discussion, the motion was unanimously approved.

Chair Mesick proceeded to the Report of the Executive Director and inquired on the HHFDC's response to letters received with regard to the discretion of the Mortgage Credit Certificates (MCC) program. Finance Manager Darren Ueki reported that staff was told by Executive Director Seddon that she would prepare a response, which is currently pending.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

Mr. Ueki noted that to get an active MCC program back up and running takes approximately 6 months to process. However, there will be smaller amounts of MCC funding available in June and December 2013. The MCC program details were noted for the Board.

In response to Designee Salaveria, Mr. Ueki concurred that the current capacity for the MCC program would be transferred and used for the Hula Mae Single Family program.

Chair Mesick stated that he believed that the direction of the Executive Director is to help provide the Agency an opportunity to generate revenue and support its program operations as opposed to being limited to a set amount of funding that once it goes out, it is gone. Designee Salaveria concurred, stating that the Board should also be cognizant of who is sending the request and its invested interest on the matter.

In response to Director Ng, Asset Manager Stuart Kritzer stated that 620 Coral Street is just past the front door of the Pohulani building, currently occupied by Fiddlesticks and Redesign Builders.

Mr. Kritzer further stated as part of an agreement with the Hawaii Community Development Association (HCDA) on a six-parcel span, an open space requirement in the area of the Fiddlesticks building is under possible demolition and landscaping to satisfy the original development agreement. The HCDA has indicated that it will not continue renewal of 5-year lease extensions for Fiddlesticks. HHFDC has started the process of syndicating a plan, with demo costs estimating at \$200,000 - \$250,000. Fiddlesticks have been informed that its lease extensions are at the discretion of the HCDA. Possible suggestions for the open space is a loading zone for seniors coming in and out of the Pohulani building or an urban garden. The final design will be determined by the HCDA.

In response to Designee Evans, Mr. Kritzer stated that the HHFDC is receiving approximately \$2,200 a month in lease rent from Redesign.

With regard to the suggested ideas for the open space, Director Larson commented that she likes the idea of having a loading zone for the seniors due to the current drop off area being quite tight.

In response to Director Ng, Mr. Kritzer stated that the payment responsibility of the demo and whether or not rent income received from Fiddlesticks and Redesign could be rendered for such demo expenses is to be determined.

In response to the Board, Chief Planner Janice Takahashi stated that the current Legislative Session is going well and reported on the following:

1. The DURF remains in the budget, reduced to \$7 million per year from \$10 million per year as originally requested.
2. The \$7.8 million for the Waihole Water System improvement continues



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to be in the budget; now split over 2 years.

3. Bills outside the Administration budget that would fund the Rental Housing Trust Fund are still alive.

Ms. Takahashi thanked Director Larson and advocates for support of legislative matters of the HHFDC.

4. Senate Bill 86 moves the State income tax and obligations exemption for public housing agencies from the laws governing the HHFDC to the laws governing the Hawaii Public Housing Authority (HPHA). The HHFDC supports the measure with an amendment to retain exemption language in Chapter 201H, Hawaii Revised Statutes, until possible concerns from the Tax Foundation of Hawaii and the U.S. Department of Housing and Urban Development are resolved. However, the HPHA has since reneged and continues to pursue to appeal the HHFDC's section. Concerns have been forwarded to the Governor's Office with response pending.

Ms. Takahashi announced that Director Pulmano was appointed and received the Committee's advise and consent for confirmation yesterday, March 13, 2013.

Appointments and service terms of Directors Larson and Jung are to be followed up by Director Ng, with the Governor's Office.

In response to Director Larson, Ms. Takahashi stated that the public hearing for the Qualified Allocation Plan (QAP) is scheduled for March 22, 2013.

Director Kyno reported that the Vitus Group, Ms. Makani Maeva, has been awarded on the Request for Proposal for the Rice Camp site and Princeville project on Kauai.

Designee Salaveria asked that staff keep the Board apprised on the HOME funds and whether or not it is subject to federal supplication.

In response to Director Larson, Mr. Ueki stated that an additional \$5 million in Rental Housing Trust Fund (RHTF) monies is soon to be released plus conveyance tax amounts received. However, HHFDC is looking to have approximately \$10 million available within the RHTF.

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

Designee Evans moved, seconded by Designee Salaveria, to adjourn the meeting at 9:56 am.

The motion was unanimously approved.



BETTY LOU LARSON  
Secretary

V.  
ADJOURNMENT