

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, MAY 9, 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, May 9, 2013, at 9:00 a.m.

Chair Ralph Mesick called the meeting to order at 9:05 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director Ralph Mesick, Chair
Director Michael Ng
Director Francis Jung
Director Leilani Pulmano
Designee Luis Salaveria for Director Kalbert Young
Designee Mary Alice Evans for Director Richard Lim

Executive Director Karen Seddon

Excused: Director Allan Los Banos, Vice Chair
Director Betty Lou Larson, Secretary
Director Richard Lim
Director Kalbert Young

Director Paul Kyno

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
Lorraine Egusa, Acting Fiscal Manager
Stuart Kritzer, Asset Manager
Lisa Wond, Planner
Dean Sakata, Housing Finance Specialist
Ken Takahashi, Development Project Manager
Lorna Kometani, Housing Sales Coordinator
Christopher Woodard, Property Management Coordinator
Krystal-Lee Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Anne Marie Puglisi, Attorney General
Chong Ho Won, University of the Nations
David Cunningham, University of the Nations
Andrew Gomes, Star Advertiser

A quorum was present.

QUORUM

Designee Evans moved, seconded by Director Jung, to approve the Meeting Minutes of April 11, 2013.

**II. A.
APPROVAL
OF MINUTES
04/11/13
Regular
Meeting**

The motion was unanimously approved.

No action was taken on this item.

II. B.
APPROVAL
OF MINUTES
04/11/13
Executive
Session

Designee Evans, seconded by Director Jung, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the State of Hawaii's Consolidated Plan Annual Action Plan for Program Year 2013; and
- B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Action Plan.

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve the
Consolidated Plan
Annual Action Plan
for Program Year
2013-2014

Planner Lisa Wond presented the For Action, stating that this item seeks the Board's approval of the State's Annual Action Plan (AAP) for Program Year 2013 (July 1, 2013 to June 30, 2014), projecting the uses of funds anticipated to be received from the U.S. Department of Urban and Housing Development (HUD) under the Home Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs, to provide decent affordable housing for families and special needs populations, strengthen communities, and increase home ownership opportunities.

HHFDC anticipates receiving approximately \$3,000,000 in HOME funds, of which 5% will be retained for administrative expenses, with the remaining balance allocated to the County of Kauai, which plans to use its funds for the preservation and development of rental housing in Princeville and Lihue.

The draft AAP was made available for review and public comment through May 1, 2013, in which one comment was received, suggesting that visitability features such as 32" wide doorways, one wheelchair accessible bathroom on the main floor, and at least one no-step entrance be included in new housing projects or retrofitting housing projects. The public comment was transmitted to HHFDC's state recipients and will be included in the AAP, due to HUD by May 15, 2013.

The following amendments to Exhibit A was noted:

- 1. Page 1 of 8:
 - a. Under Objective HR-3, the Annual Output Goal is 7 units; not 4 units, bringing the Total from 93 units to 96 units.
- 2. Page 6 of 8:
 - a. Under Objective HP-1, the updated Total for Annual Output Goals should be 5,558 homeless persons being served; not 4,128.
 - b. Under Objective HP-2, the updated Total for Annual Output Goals should be 2,892 victims of domestic violence being served; not 2,142.

Ms. Wond opened for questions.

Designee Evans asked how the County of Kauai compares to the neighbor islands in terms of price per unit. Ms. Wond deferred to the staff of the Finance Branch. Finance Manager Darren Ueki stated that staff would need to get that information and will then provide it to her.

With no further discussion, the motion was unanimously approved.

Director Jung, seconded by Designee Evans, to approve staff's recommendation:

That the HHFDC Board of Directors approve a transfer of ownership of the Kama'aina Hale rental housing project to the University of the Nations subject to the following:

- A. Completion of all documentation necessary as stated in this For Action; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purpose of this For Action.

Asset Manager Stuart Kritzer presented the For Action, stating that the request before the Board is to transfer the Kama'aina Hale (Project) to the University of the Nations (University).

The Project was acquired by an HHFDC predecessor in 1976, which is on property owned by Kamehameha Schools (Landowner). In 2006, the lease rent reset significantly jumped from roughly \$57,000 up to over \$350,000.

The HHFDC 10-year period lease rent schedule with the Landowner was cited.

In 2006, only 60 units out of the 128 total units were abated and renovated, with the remaining 68 units left unabated and vacant, resulting in the Project operating at a deficit of approximately \$300,000 per year.

In March 2013, R&D Technologies was awarded the remediation of the unabated units anticipated to be completed in May 2013.

Based on an analysis, estimated costs to renovate and rent the 68 units range from \$4 - \$7 million.

The Project is currently being managed by Hawaii Affordable Properties Inc.

In September 2011, HHFDC issued a Request for Proposal (RFP) seeking qualified entities interested in assuming the Landowner lease, as well as taking over the operation, and management of the Project.

Although seven (7) entities expressed interest, no proposals were received by the December 16, 2011 deadline.

In January 2013, the University approached the HHFDC and subsequently submitted a unsolicited proposal to acquire the project "as-is," subject to:

1. The successful completion of the asbestos abatement currently underway;
2. HHFDC bringing current and any outstanding obligations affecting the subject property and clearing any liens or encumbrances against the leasehold or improvements prior to assignment of the lease; and
3. Approval of lease transfer from the Landowner.

Upon completion of the asbestos abatement, the University will rehabilitate the 68 units in compliance with the County of Hawaii code. Affordability guidelines will be maintained for the remainder of the lease and going forward. The ground lease expiration is July 2031.

Upon assignment of the Lease, the University of the Nations will:

1. Take over responsibility for the operation and management of the Project and assume all of HHFDC's rights and obligations under its property management contract with Hawaii Affordable Properties, Inc.;

III. B. DISCUSSION AND/OR DECISION MAKING

Approve the Transfer Of Ownership of the Kama'aina Hale housing project , located at 78-5837 Kuakini Highway, Kailua-Kona, Hawaii 96740, TMK No.: (3) 7-5-09:57, to the University of the Nations at Kona

2. Implement any necessary facility infrastructure improvements or capital upgrades, including securing all permits and approvals necessary to do so;
3. Plan, manage, and operate all aspects of the Project in accordance with the terms, conditions, and requirements of the lease;
4. Negotiate the lease rent amounts with the Kamehameha Schools at such times required by the lease and an extension of the lease beyond its 2031 maturity date; and
5. Pay its own costs and expenses incurred in connection with the proposed assignment of lease.

With respect to staff's recommendation and the unsolicited proposal received from the University, Mr. Kritzer stated that as an alternative, the Board has the option to request staff to issue another RFP.

Mr. Kritzer introduced University's Film and Media Initiative David Cunningham and Vice President Chong Ho Won.

Mr. Cunningham and Mr. Ho Won explained how area fires were the connecting factor in the University's discussions with the Landowner, who informed them of this opportunity with the Project, having a high commitment to the location and the condition of its neighbors. Short video clips reflected reports on the fires mentioned, along with the history, facts, and functions of the University.

Mr. Cunningham continued to state that the University is confident about bringing the Project up to code and running it in a way that is efficient, while honoring the affordable housing restrictions.

Director Jung expressed his enthusiasm for the University taking over and maintaining the Project, stating that he highly recommended that the Board approve the request, noting Director Larson's written concurrence. (A hard copy of Director Larson's concurrence email on this agenda item was distributed to the Board.)

In response to the Board, Mr. Ho Won, Mr. Cunningham, and staff, noted the following:

1. The 68 units renovated by the University would be open to the long-term staff that qualifies under the affordability standards of 80% and below the area median income.
2. The current management will remain and will be observed by the University to ensure quality performance.

Director Jung stated that the Project is zoned for 200 units and hopes that the University considers expanding, and expressed his appreciation for the University's consideration of the Project and willingness to deal with the Landowner, as well as for staff in putting this together.

3. Several of those interested in the Project communicated that the issues deterring proposal submittal included: 1) the short duration of the lease, which precludes securing financing or tax credit syndication and 2) the large amount of the lease rent.
4. The Landowner recommended that the University contact HHFDC, indicating that the Project was available and that the Landowner would consider transfer of the lease.
5. Considering the circumstances, staff does not think that issuing another RFP will result in a better proposal.

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6. The La'ilani project, also in Kona, is fully occupied, with a waiting list. At the request of Designee Salaveria, Mr. Kritzer stated that he will provide the waiting list for the La'ilani project.
7. The projected timeframe for Project renovation is estimated to be six (6) to eight (8) months.

Director Jung stated that in discussions with the surrounding community, comments are positive.

8. Staff will take actions necessary from a business standpoint to ensure the Corporation is protected and the transfer is completed in a timely manner.
9. Sale of real property is not subject to §103D, and is therefore, not subject to procurement law, allowing the HHFDC to negotiate. However, putting out an RFP is a practice of the Agency and Board for transparency and competition. With no responses on the RFP, the University's unsolicited proposal is a unique opportunity for the Board to consider.

Designee Evans stated that this request is consistent with the goal of the Board to get out of the property management business.

10. The HHFDC will continue to do annual compliance monitoring to ensure that affordable guidelines are adhered to within an agreement between parties.

Executive Director Seddon stated that staff would continue to work through the terms with the Landowner and the HHFDC Deputy Attorney General, with any significant changes being brought to the Board for concurrence.

11. "Outstanding obligations" are in reference to typical liens and transfer risk measures.

With no further discussion, the motion was unanimously approved.

Chair Mesick proceeded to the Report of the Executive Director.

In response to Chairman Mesick, Executive Director Seddon stated that during the 2013 Legislative Session the HHFDC received \$14 million over the biennium for the Dwelling Unit Revolving Fund, approval of its Hula Mae Mortgage Administrative bill, and Capital Improvement Plan appropriations for the Waiahole Valley Water System.

With no further questions on the Executive Director reports, Executive Director Seddon announced that she would be retiring from the State on September 1, 2013.

Chair Mesick thanked and expressed appreciation to the Executive Director for everything she has done and efforts to push change, leaving the Agency on a good path.

Director Jung moved, and Designee Salaveria seconded at 9:56 am to convene in Executive Session, pursuant to Section 92-5(a)(4) to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities as it pertains to the personnel matters related to the Executive Director yearly evaluation.

The motion was unanimously approved.

The Board reconvened into Regular Session at 10:10 am.

IV. REPORT OF THE EXECUTIVE DIRECTOR

V. EXECUTIVE SESSION 9:56 a.m.

RECONVENED 10:10 a.m.

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Chair Mesick stated that a new subcommittee to work on the hiring of a new executive director would need to be formed and that the Evaluation Subcommittee is dissolved.

Chair Mesick strongly requested that members of the dissolved evaluation subcommittee remain within the Selection Subcommittee, due to the extensive learning process involved with the executive director evaluation process. However, with Director Jung's term ending in June 2013, Chair Mesick asked for another volunteer to take his place. Director Pulmano was nominated and accepted.

Members of the newly established Selection Subcommittee will be: Chair Mesick, Directors Kyno, Pulmano, and Designee Evans.

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

Designee moved, seconded by Salaveria, to adjourn the meeting at 10:14 a.m.

The motion was unanimously approved.

**VI.
ADJOURNMENT**

For



BETTY LOU LARSON
Secretary