

**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, AUGUST 8, 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, August 8, 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 Paul Kyno, Vice Chair  
Director Leilani Pulmano, Secretary  
Director Michael Ng  
Director Allan Los Banos  
Designee Luis Salaveria for Director Kalbert Young  
Designee Mary Alice Evans for Director Richard Lim

Executive Director Karen Seddon

**Excused:** Director Betty Lou Larson  
Director Richard Lim  
Director Kalbert Young

**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  
Ann Nakagawa, Fiscal Manager  
Stuart Kritzer, Asset Manager  
Marlene Lemke, Real Estate Services Section Chief  
Stan Fujimoto, Development Section Chief  
Dean Sakata, Housing Finance Specialist  
Ken Takahashi, Development Project Manager  
Beth Malvestiti, Development Project Manager  
Christopher Woodard, Property Management Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Mavis Masaki, Planner  
Krystal Tabangcura, Procurement Specialist  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

**Guests:** Wayne Yoshida, Hawaii Public Radio  
Bill Rice, Highland Property Development LLC  
Stephen Gelber, Gelber, Gelber & Ingersoll  
Bob Hall

A quorum was present.

**QUORUM**

Designee Evans moved, seconded by Director Los Banos, to approve the Meeting Minutes of July 11, 2013.

**II. A.  
APPROVAL  
OF MINUTES  
7/11/13  
Regular  
Meeting**

The motion was unanimously approved.

The Executive Session Meeting Minutes of July 11, June 13, May 9, and April 11, 2013, were approved in Executive Session.

<b>II. B.</b>	<b>APPROVAL</b>
	<b>OF MINUTES</b>
	7/11/13
	Executive
	Session
<b>II. C.</b>	<b>APPROVAL</b>
	<b>OF MINUTES</b>
	6/13/13
	Executive
	Session
<b>II. D.</b>	<b>APPROVAL</b>
	<b>OF MINUTES</b>
	5/9/13
	Executive
	Session
<b>II. E.</b>	<b>APPROVAL</b>
	<b>OF MINUTES</b>
	4/11/13
	Executive
	Session
<b>III. A.</b>	<b>DISCUSSION</b>
	<b>AND/OR</b>
	<b>DECISION</b>
	<b>MAKING</b>
	Overview of the
	Hawaii Housing
	Finance and
	Development
	Corporation Programs

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Chief Planner Janice Takahashi stated that this overview of the HHFDC Programs will be the first of a series of educational topics that will be provided to the Board, intended to prompt discussions around philosophy and strategy.

Development Branch Chief Rick Prahler reported on the following development tools:

The HHFDC is able to acquire available land/property for the development of affordable housing such as the Villages of Kapolei site from the Campbell Estate and the Kamakana project from the Queen Liliuokalani Estate, or by utilizing State lands such as Halekauwila Place, Senior Residence at Iwilei, Kapolei, Ko’oloa’ula, and Leiali’i.

Currently, the Development Branch has issued a Request for Qualifications for the Northwest Corner site in the Villages of Kapolei, along with a Request for Proposals for the second parcel in East Kapolei. Other sites include 47-acres of state land in East Kapolei as compensation for the high school site at the Villages of Kapolei, a property in Wahiawa for agricultural worker housing, and a remnant piece at the Villages of La’i’opua.

Chapter 201H, Hawaii Revised Statutes (201H) is a process in which a developer can request exemptions for eligible affordable housing projects from statutes, ordinances, and rules of any governmental agency related to planning, zoning, and construction standards that do not negatively affect the health and safety of the general public. Although the Counties and HHFDC can process a 201H application, the appropriate County Council must ultimately approve the exemptions. In the recent past, HHFDC has allowed exemptions for Green Homes at Lualualei, Meheula Vista, and Halekauwila Place.

The HHFDC may also approve exemption from General Excise Tax for qualifying projects that meet certain criteria set forth by the State. Such exemptions would be for construction costs for new or rehabilitated projects. Once completed, exemptions may be granted for ongoing rents on affordable units only.

The Dwelling Unit Revolving Fund (DURF) was established in 1970, with an original funding grant of \$125 million to buy property, develop and construct residential, commercial, and industrial properties, provide interim loans to



developers and to fund the administrative expenses of the Agency.

Currently, loans are outstanding for the Jack Hall Sewer Remediation, Kamakana Master Planned Community, Maili III Self Help, Pokai Bay Self Help, Senior Residence at Iwilei and the Meheula Vista Senior projects. Approved, but not yet dispersed, are bridge loans of \$25 million for Hale Mohalu II and \$14.5 million for Halekauwila Place projects.

Finance Manager Darren Ueki reported on the following financing tools:

The Low Income Housing Tax Credit (LIHTC) Program provides direct equity to promote the development or preservation of low-income rental housing for a minimum of 30 years. The state credit is an amount equivalent to 50% of the federal amount, which is formula driven based on population. The State of Hawaii currently receives about \$3.1 million annually, with minimum income target group requirements.

The 9% LIHTC are awarded on a competitive basis with applications received in February and recommendations for award presented to the Board, usually by June.

The 4% LIHTC are awarded on a non-competitive basis in conjunction with the issuance of the tax-exempt bonds.

As of June 30, 2013, approximately \$475 million in federal 9% credits and a corresponding \$193.7 million in state 9% credits have been awarded, resulting in the construction and preservation of approximately 4,700 units.

Approximately \$256 million in federal 4% credits and \$109.7 million state 4% credit have been awarded, resulting in the development and preservation of approximately 3,600 units.

The Rental Housing Trust Fund (RHTF) Program provides gap equity low interest loans or grants to qualified owners and developers to construct or preserve affordable rental housing units. Funding is from the conveyance tax (currently 30%) collected by the state and any additional appropriations from the state legislature, with minimum primary (those earning 80% AMI) and secondary (those earning up to 140% AMI) target group requirements. It was noted that the HHFDC has never utilized its secondary tier of financing due to the lack of capacity.

The RHTF is awarded on a competitive basis dependent upon the resources available, usually consisting of two funding rounds, playing a critical role in the success of the LIHTC program.

As of June 30, 2013, approximately \$243 million in RHTF monies have been awarded, resulting in the development and preservation of approximately 4,600 units.

The Hula Mae Multi-Family (HMMF) Bond Program assists the development and preservation of rental housing through the issuance of tax-exempt mortgage revenue bonds for interim and/or permanent financing with below market rate interests. The Corporation acts as a conduit to issue the tax-exempt bonds and it is the sole responsibility of the developer to repay the bonds.

The HMMF Bond Program does not have a funding cycle, as applications are accepted at any time for review. The bond cap of the HHFDC is limited and controlled by the Department of Budget and Finance.

As of June 30, 2013, approximately \$418 million in bonds have been issued, resulting in the development and preservation of approximately 3,200 units.

The Rental Assistance Revolving fund consists of two subprograms – the Rental Assistance Subsidy Program (RAP) and the Rental Assistance Interim Construction Loan (RAP Construction Loan) Program.

The RAP program was created originally for those earning between 61% - 80% AMI (the forgotten group), providing shallow (\$120 - \$150 per unit, per month) project based rental assistance subsidy to eligible project tenants, with contracts awarded on a case-by-case basis. No new contracts have been awarded since the mid 1990's due to the lack of funding to even meet the existing contracts.

As of June 30, 2013, 17 projects have been awarded RAP subsidy; 4 of which have expired. The estimated outstanding value remaining on the contracts is \$44.7 million. With an approximate balance of \$13 million, the HHFDC may need to request a state legislative appropriation to meet the current contractual obligations.

The RAP Construction Loan program was created in 1992, offering an interim construction loan dedicated to rental housing, awarded on a competitive basis through the Consolidated Application of the HHFDC.

As of June 30, 2013, the RAP Construction Loan program has completed 12 loans totaling \$56.35 million, resulting in the assistance of 906 units. However, with the RHTF ability to provide interim construction loans at low conventional rates, there has been a limited amount of activity in recent years.

The Hawaii Rental Housing System Revenue Bond Program, more commonly referred to as the Rental Housing System (RHS), was created to alleviate a shortage of rental housing for those earning up to 80% of the AMI. The program has, through the issuance of tax-exempt revenue bonds, financed six projects (1,220 units produced) within the system. The debt service on the bonds is repaid from revenues received from project rent collections.

As of June 30, 2013, the outstanding bond debt is approximately \$87.86 million.

The Hula Mae Single Family (HMSF) Mortgage Program was created to provide first-time homebuyers with below market interest mortgages. The first 25 years the program was known for offering interest rates below the conventional market. However, with the fall of conventional interest rates, the program was temporarily shut down and then resurrected in 2012, with the addition of downpayment assistance, for incomes not exceeding 120% of the AMI.

Legislation allowed the HHFDC to broaden the scope of the program, which will be brought to the Board for a future discussion.

Proceeds from the issuance of tax-exempt bonds are made available to participating lenders (local banks and mortgage companies), that market and originate the loans on behalf of the Corporation.

As of June 30, 2013, approximately \$1.95 billion in bonds were issued and assisted an estimated 10,100 individuals and families.

The Mortgage Credit Certificate (MCC) program was created in the mid 1980's, to reduce borrower federal income tax liability, thus creating more available income to qualify for a mortgage loan and assist with monthly mortgage payments, targeting first-time homebuyers with incomes not to exceed 120% of the AMI. The HHFDC is required to trade in Bond cap in order to obtain MCC capacity.

As of June 30, 2013, approximately \$631 million in bond cap has been traded to generate \$157.8 million in MCC authority, assisting approximately 2,800 individuals and families, with approximately 1,755 individuals and families assisted over the course of the last 5 years. The HOME program has identified the



statewide priorities within the state Consolidated Plan, requiring funds to be used to assist those earning 80% and below the AMI, annually receiving approximately \$3 million. With timing concerns from HUD, the Board approved the request for the funds to be given in lump sum on a rotating basis between the counties of Hawaii, Kauai, and Maui.

To date, the HOME program has assisted in the construction of approximately 603 affordable rental units, tenant-based rental assistance contracts for 874 units, and 304 people to become homebuyers.

Ms. Takahashi reported on the following programs:

The Homeowner/Homebuyer Counseling Programs consist of the HUD Comprehensive Housing Counseling (CHC), National Foreclosure Mitigation Counseling/Making Homes Affordable (NFMC), and Emergency Homeowners Loan Program (EHLPP), which are competitive federal grants that the HHFDC applied for.

Through the HUD CHC program, the HHFDC received \$21,000, which will assist approximately 40 clients. In partnership with the Department of Hawaiian Home Lands and a non-profit entity, counseling services will be provided for members of the public as well as Hawaiian Home Land beneficiaries.

Under the NFMC program, the foreclosure mitigation counseling services are provided by non-profit entities, such as Consumer Credit Counseling, Hale Mahaolu, Hawaii Homeownership Center, and Legal Aid. Approximately 4,000 individuals and families have been assisted since 2008.

Under EHLPP, Consumer Credit Counseling provided loans of up to \$50,000 to 35 homeowners who were “under water.”

Land Programs include Land Reform (Chapter 516, HRS), which converts leasehold to fee simple for single family lots, and Lease Rent Negotiations (Chapter 519, HRS), which assists one- to two-family residential lots to renegotiate their lease rents through an arbitration process. These programs are inactive.

The Assistance to Displaced Persons (Chapter 111, HRS) applies when a state agency uses state funds to displace persons or businesses that lawfully reside or occupy real property.

Ms. Takahashi reiterated that staff will work with the Chair on selecting specific topics of discussion over the course of the next few months. Chair Mesick asked for any questions and/or discussion topics to be emailed to him.

With no further discussion, Chair Mesick proceeded to agenda item B.

Designee Evans moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the HHFDC Board of Directors approve Resolution No. 054, which expresses appreciation to Karen S. Seddon.

Ms. Takahashi presented the For Action, stating that Executive Director Karen Seddon joined HHFDC in December 2006 as the Development Branch Chief and in 2008 was hired and appointed by the Board as the Executive Director.

As the Executive Director, Ms. Seddon encouraged staff to think “outside the box,” challenge the status quo, and find creative solutions to boost housing production. Her leadership is much appreciated.

Chair Mesick added that Executive Director Seddon has been the agent of change,

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

Approve Resolution  
No. 054, Expressing  
Appreciation to  
Karen S. Seddon

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creating a lot of energy and momentum that challenged people to think differently on how one does their work and hoping that legacy would be continued.

Executive Director Seddon thanked Chair Mesick, stating that she hopes that the Board and staff will continue to bring those items in progress to completion.

With no further discussion, the motion was unanimously approved.

Chair Mesick proceeded to the Report of the Executive Director.

In response to Chair Mesick, Executive Director Seddon stated that the transition to a new executive director was discussed in the annual teleconference with Moody's. Mr. Ueki added that such annual meetings usually consist of discussions regarding continuity and consistency from a management as well as a fiscal perspective of the overall Corporation.

In response to Designee Evans, Mr. Ueki concurred, stating that the interest rates that the State is able to set for its bonds is dependent upon the rating it receives by rating agencies such as Finch, Moody, and Standards and Poor. The HHFDC has AAA rating, which is the highest rating that can be achieved.

In response to Chair Mesick, Executive Director Seddon stated that she would forward the information to the Board and reported that the Novogradac Webinar discussed in detail the current and future trends of Low Income Housing Tax Credit program.

With no further discussion, Chair Mesick asked for a motion to convene into Executive Session to discuss personnel matters related to the hiring of the new executive director, pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4).

Designee Evans moved, seconded by Designee Salaveria.

The motion was unanimously approved.

The Board convened into Executive Session at 9:49 a.m.

Chair Mesick reconvened the meeting at 10:18 a.m., and announced that the Board voted and appoints Chief Planner Janice Takahashi as the Interim Executive Director of the HHFDC, effective September 1, 2013.

In all fairness to the new executive director and Ms. Takahashi, Executive Director Seddon encouraged the Board to fill the executive director position as soon as possible to minimize additional workload during the crucial preparation period for the upcoming legislative session.

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

Director Los Banos moved, seconded by Designee Evans.

The motion was unanimously approved, with the meeting adjourning at 10:21 a.m.

#### IV. REPORT OF THE EXECUTIVE DIRECTOR

#### V. EXECUTIVE SESSION 9:49 a.m.

RECONVENED  
10:18 a.m.

#### VI. ADJOURNMENT



LEILANI PULMANO  
Secretary