

**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 8, 2014  
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 8, 2014, at 9:00 a.m.

Chair Ralph Mesick called the meeting to order at 9:03 a.m.

**CALL TO  
ORDER/  
ROLL CALL**

Present: Director Ralph Mesick, Chair  
Director Paul Kyno, Vice Chair  
Director Leilani Pulmano, Secretary  
Director Betty Lou Larson  
Director Richard Lim  
Director Michael Ng  
Director Allan Los Banos  
Designee Luis Salaveria for Director Kalbert Young

Executive Director Craig Hirai

Excused: 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  
Dean Sakata, Housing Finance Specialist  
Patrick Inouye, Housing Finance Specialist  
Jocelyn Iwamasa, Housing Finance Specialist  
Glori Ann Inafuku, Housing Finance Specialist  
Christopher Woodard, Property Management Coordinator  
Lorna Kometani, Housing Sales Coordinator  
Lorraine Egusa, Budget Analyst  
Mavis Masaki, Planner  
Lisa Wond, Planner  
Krystal Tabangcura, Procurement Specialist  
Kent Miyasaki, Housing Information Specialist  
Esa Pablo, Secretary to the Board

Guests: Senator Donovan Dela Cruz, State of Hawaii Senate  
Senator Michelle Kidani, State of Hawaii Senate  
Ken Nakamoto, Office of Senator Dela Cruz  
Aaron Eberhardt, EAH

A quorum was present.

**QUORUM**

Director Larson moved, seconded by Director Pulmano,

That the minutes of the Regular Meeting held on April 10, 2014 be approved as circulated.

**II. A.  
APPROVAL  
OF MINUTES  
4/10/14  
Regular  
Meeting**

The motion was unaimously carried.

Item A was deferred to later in the meeting.

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the  
Whitmore Project  
by Senator Donovan  
Dela Cruz, Chair of  
the Senate Economic  
Development,  
Government  
Operations and  
Housing Committee

Director Larson moved, seconded by Director Los Banos,

That the HHFDC Board of Directors

- A. Approve the State of Hawaii's Consolidated Plan Annual Action Plan for Program Year 2014; and
- B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Action Plan.

**III. B.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Approve the  
Consolidated Plan  
Annual Action  
Plan for Program  
Year 2014-2015

Planner Lisa Wond presented the For Action for the 2014 Action Plan for the Program Year period of July 1, 2014 to June 30, 2015.

HHFDC administers the HOME program and anticipates receiving approximately \$3,017,887 for Program Year (PY) 2014, of which 5% of HOME funds received will be retained by HHFDC with the remainder awarded to the County of Maui under the annual rotation.

Department of Human Services administers the ESG and HOPWA programs and anticipates to receive approximately \$402,239 in ESG funds and \$205,107 in HOPWA funds.

Ms. Wond referred to pages 4, 5, and Exhibit A of the For Action, which shows the intended uses and objectives of the HOME, ESG, and HOPWA funds for PY 2014.

No comments were received during the 30-day public comment period for the Draft Action Plan.

HHFDC anticipates submitting this Action Plan to HUD by May 15, 2014.

In response to Director Larson, Ms. Wond stated that the effectiveness of the annual rotation would be better determined after the full 3-year cycle rotation; however, HUD has accepted all annual evaluation reports submitted thus far. Finance Manager Darren Ueki added that the first two years have worked out well, allowing for an adequate amount of money to undertake larger projects. Vice Chair Kyno concurred.

With no further questions, the motion was carried.

Designee Salaveria arrived to the meeting at 9:08 a.m.

Chair Mesick proceeded to Item A, introducing Senators Donovan Dela Cruz and Michelle Kidani.

With acknowledgment of Senator Kidani's contributing efforts in obtaining CIP funding, Senator Dela Cruz provided an overview of the Whitmore Village Agricultural Development Project (Project). Handouts of the PowerPoint

**III. A.  
DISCUSSION  
AND/OR  
DECISION  
MAKING**  
Information on the  
Whitmore Project

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

presentation were distributed to the Board.

The Agribusiness Development Corporation (ADC)'s plan is to revitalize the local agricultural industry in Central Oahu by bringing farmers and the state together to increase local food production, offer education, create jobs, engage in partnerships, and to provide affordable workforce housing.

Through the HHFDC, ADC hopes to build workforce housing on a long-term lease basis to accommodate commercial farmers and workers through proactive efforts with other state agencies, entering into inter-government agreements.

Senator Kidani expressed her appreciation for Senator Dela Cruz's active engagement with the community and agencies, encouraging any support the HHFDC can provide in helping the Project reach its vision and goals of sustainability for the State of Hawaii.

Chair Mesick asked on ADC's timeline in having housing facilities in place. Senator Dela Cruz stated that if housing were available, farmers and workers would move today given the difficulty to invest in their daily facilities on a month-to-month lease.

Director Larson commented that with the majority of farmers being young and single, perhaps the concept of micro units could be applied to cut down on costs.

In response to Vice Chair Kyno, Senator Dela Cruz stated that ADC targets commercial farmers, whereas the Department of Agriculture targets farmers on a much smaller scale.

Senator Dela Cruz acknowledged and thanked Chair Mesick and Director Larson for attending one of the many ongoing Project site visits held twice a month, due to the high volume of participants.

Director Ng asked on the need for senior housing in the area. Senator Dela Cruz stated that there already has been development of senior housing within the community and that workforce housing holds a position of precedence.

Director Lim concurred, stating that on a relative basis, national standards show that there is a big gap for the youth as opposed to seniors in terms of traditional housing.

Chair Mesick stated that the Corporation is yet to identify its needs and resources to be used.

Senators Dela Cruz and Kidani noted that there are many opportunities with the various partnerships allowing for lower costs.

Chair Mesick thanked the Senators and asked for a short recess at 9:45 a.m. Deputy Attorney General Colette Honda was excused from the meeting.

The meeting reconvened at 9:55 a.m. and Chair Mesick proceeded to Item C.

Chief Financial Officer Ann Nakagawa covered Notes to Financial Statements, footnote 1, covering the organization and accounting policies that the financial statements are based on and its sub-categories.

Chair Mesick asked what percentage of our costs is covered by fees being charged of enterprise funds. Ms. Nakagawa stated that she is uncertain of the actual percentage, but will find out and provide that information to the Board.

In reference to page 31, under the Equity in Cash and Cash Equivalents and Investments in State Treasury, Ms. Nakagawa noted that the interest earned on

by Senator Donovan Dela Cruz, Chair of the Senate Economic Development, Government Operations and Housing Committee

**RECESS**  
9:45 a.m.

**RECONVENED**  
9:55 a.m.

**III. C.**  
**DISCUSSION**  
**AND/OR**  
**DECISION**  
**MAKING**  
Review of the Hawaii Housing Finance and Development Corporation Audited Financial Statements

the DURF fund, Financial Revolving fund, and the Rental Assistance fund goes to the State General Fund until Fiscal Year 2015, which started from Fiscal Year 2010.

Ms. Nakagawa asked Designee Salaveria if there were any intentions to carry it past Fiscal Year 2016. Designee Salaveria responded that he did not know.

Director Lim asked if securities in market are marked on a regular basis. Ms. Nakagawa stated that those securities are adjusted quarterly.

Director Lim asked about the process for determining if there is impairment. Ms. Nakagawa stated that project sales are reviewed, realized, and compared to the actual cost. If it is not enough, the auditors usually suggest to write it down.

Director Lim asked on the situation with Meheula and at what point did HHFDC determine that the loan was impaired and written down. Ms. Nakagawa stated that there is no specific process for majority of the loans because the Corporation does not estimate 30 years into the future whether or not a loan will be able to be paid. In the event Meheula is foreclosed, the Corporation would have a substantial write down, but that would not be reflected on the books.

Director Lim suggested that noting impairments within the footnotes might be something to think about in the future to attain a more accurate sense of the Corporation's financial position.

Chair Mesick stated that without knowing how to measure a return or knowing its value, it is difficult to determine whether the Corporation is getting a fair return and therefore, a good asset (e.g., knowing the value of the subsidy to help make decisions and determining an alternative use if a certain return is not achieved). Knowing such measurements or metrics will help the Board set policies to help guide and make decisions.

In response to Designee Salaveria, Director Lim stated that the Corporation should look at its overall portfolio, which should be speculated and balanced accordingly as opposed to servicing an existing need.

Ms. Nakagawa stated that the business analysis is on the financial statements and definite values are needed, as opposed to alternative values, in order to keep an inventory investment at its current value.

Director Lim stated that the Corporation could do a pre-appraisal.

In reference to the accrued vacation and accumulated sick leave, Designee Salaveria asked how much does the Corporation have on the books thus far. Ms. Nakagawa stated that she believed the amount to be approximately 700+.

In reference to Act 268, Designee Salaveria asked if the HHFDC's cash flow would be able to accommodate actual payments into the EUTF, especially for special non-general funded positions. Ms. Nakagawa stated that she would need to look into Act 268 further.

Director Larson asked if this would be an issue for the Corporation to pay. Ms. Nakagawa stated that it would not be a problem; however, would be something that needs to be accounted for within the budget.

Ms. Nakagawa asked if cash payouts for transferred employees need to be made to the other agencies. Designee Salaveria stated that has not been determined yet.

Chair Mesick asked about the Corporation's accounting deadline cycle to report. Ms. Nakagawa stated that monthly financials are anticipated by the end of the following month due to the timing of when the trustee statements are received. The fiscal-year-end is June 30 and auditors anticipate starting the audit process

during the end of August/September, finishing by November. No deadline has yet been set for this fiscal year's audited report.

In response to Chair Mesick, Ms. Nakagawa stated that HHFDC is up-to-date on its reporting for the auditors review.

Ms. Nakagawa asked Designee Salaveria if there was a point of contact within the Department of Budget and Finance that she could talk to regarding Act 268. Designee Salaveria stated that details are still being worked out.

Chair Mesick proceeded to the Report of the Executive Director.

Director Larson commented that she found the project statistics and status updates very helpful within the Development Branch Status Report and asked why this information is not provided for other projects like Iwilei Senior Housing, Hale Mohalu II, and Halekauwila Place. Chair Mesick concurred, stating that in reference to Director Lim's comment about impairments, tracking the sustainability or statistics of a project on a monthly basis is vital in making well thought out decisions on both a staff and Board level.

Finance Manager Darren Ueki stated that the Finance Branch will gather that data and provide that information to the Board.

Chair Mesick stated that the inventory and assets the Corporation owns should be looked at and evaluated in terms of the overall portfolio, to determine whether the Corporation is making every effort to generate internal funds.

Discussion ensued on rents. The Board discussed that while providing lower rents allow for long-term growth in affordability, it also creates moral hazard by subsidizing people in perpetuity, depriving others in need of the opportunity for housing.

Director Lim stated that currently, policies are set through individual decisions and projects, which may not always be the best way due to the emotions and politics that can get in the way as opposed to looking at the big picture. Therefore, it would be ideal to spend more time on policies that provide staff greater direction and flexibility, speeding up the decision making process, as opposed to trying to decide policy and portfolio distributions on every particular deal.

The Board discussed that productivity is not necessarily measured by the quantity of units produced, but rather measured by productive methods through which decisions are made in prudent stewardship of its limited resources received.

Chief Planner Janice Takahashi reported that this overall legislation session was successful, noting the following:

- Vice Chair Kyno was confirmed by the Senate Committee, serving on the HHFDC Board for another 4-year term (June 30, 2018).
- The HHFDC's Hula Mae Multi-Family Bond authority was increased from \$750 million to \$1 billion.
- Effective July 1, 2014, the percentage of conveyance tax revenues received for the Rental Housing Trust Fund will increase from 30% to 50%, generating approximately \$13 million in additional funds and totaling approximately \$33 million for the entire year.
- HHFDC received authority to issue revenue bonds to finance the development of infrastructure for land owned by eligible developers who have affordable housing conditions.

**IV.  
REPORT  
OF THE  
EXECUTIVE  
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

- The Salary Bill to allow the Board to set the Executive Director's salary failed. The Bill was amended to require prior approval by the Legislature via a concurrent resolution, resulting in the recommitment to the Conference Committee. HHFDC will try again next session.
- On CIP funds, HHFDC was appropriated \$5 million for the Rental Housing Trust Fund and \$7.8 million for Low Income Housing Tax Credit loans; the Hale Mahaolu Ewalu Project received a GIA appropriation of \$4 million; and the Art Space Project was appropriated \$1.5 million for the community space.
- HHFDC also received a TOD planner position.

Ms. Takahashi informed the Board of a financial disclosure bill that passed this session, requiring financial disclosure statements of members of certain boards and commissions, like the HHFDC, to be public.

In reference to the additional funds received through the conveyance tax for the RHTF, Director Larson stated that there have been discussions in conference to use \$5 million of the additional revenues received from the 50% in conveyance tax to float the bonds to create more housing and pay back the bonds quicker.

In response to Director Larson, Director Lim commented that using bonds is a good concept if the pipeline is known, which would make sense. Otherwise, the interest accrued would cost more than traditional financing and would not fit a development agenda. However, the Corporation could do a warehouse line - build up all the projects, issue the bonds, and refinance.

Concerning Director Lim's suggestion on a warehouse line, Mr. Ueki asked Designee Salaveria if the Corporation could incur debt on behalf of the state. Designee Salaveria stated that the Corporation could do short-term borrowing.

With that said, Director Lim asked that staff further look into it.

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

Designee Salaveria moved, seconded by Director Pulmano,

That the meeting be adjourned at 10:42 am.

The motion was unanimously carried.



---

LEILANI PULMANO  
Secretary

V.  
ADJOURNMENT