

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 14, 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, August 14, 2014, at 9:05 a.m.

Chair Leilani Pulmano called the meeting to order at 9:04 a.m.

Present: Director Leilani Pulmano, Chair
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Michael Ng
Designee Mary Alice Evans for Director Richard Lim
Designee Luis Salaveria for Director Kalbert Young

Executive Director Craig Hirai

Excused: Director Richard Lim
Director Kalbert Young
Director Allan Los Banos

Staff Present: Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahl, Development Branch Chief
Stan Fujimoto, Development Section Chief
Ann Nakagawa, Fiscal Manager
Stuart Kritzer, Asset Manager
Marlene Lemke, Real Estate Services Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Beth Malvestiti, Housing Development Specialist
Seiji Ogawa, Housing Development Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Abbey Mayer, Artspace
Rick Stack, CCHDC
Marian Gushiken, EAH
Roy Katsuda, Hale Mahaolu
Mark Hashem, State House Representative
Dan Purcell, Public

A quorum was present.

Designee Evans moved, seconded by Vice Chair Taira,

That the minutes of the Special Meeting held on July 24, 2014 be approved as circulated.

The motion was unanimously carried.

The approval of the minutes of the Executive Session held on July 24, 2014 was deferred to later in the meeting.

CALL TO
ORDER/
ROLL CALL

QUORUM

II. A.
APPROVAL
OF MINUTES
7/24/14
Special
Meeting

II. B.
APPROVAL
OF MINUTES
7/24/14
Executive
Session

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Chair Pulmano asked that agenda item III. B. be taken first, followed by agenda Items A, and then C.

Designee Evans moved, seconded by Designee Salaveria,

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$4,500,000 to Ola Ka ‘Ilima Lofts LLLP or its successors for the benefit of the Ola Ka ‘Ilima Artspace Lofts project, as approved by the Executive Director, 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 RHTF 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 RHTF 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 RHTF 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 \$1,672,000.
 6. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki congratulated the new selected Board officers and presented the For Action.

The proposed Ola Ka ‘Ilima Artspace Lofts (Project) will consist of 84 family units with a preference for tenants involved in artistic or literary activities in accordance with Internal Revenue Code Section 42(g)(9)(C).

At the July 24, 2014 Special Board Meeting, the Board awarded the Project \$1,425,000 in 9% Federal Low Income Housing Tax Credits (LIHTC) and \$712,500 in 9% State LIHTC.

Construction is anticipated in July 2015, with project completion anticipated in November 2016.

Loan term changes made through staff’s recommendation is a no interest loan during the construction period of Years 1 through 3 and a 3% interest loan in

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Trust Fund
Project Award for the
Ola Ka ‘Ilima Artspace
Lofts Project Located
in Honolulu, Oahu,
TMK No.:
(1) 2-3-003-040

Years 4 through Maturity.

The Rental Housing Trust Fund (RHTF) will be repaid on a cash flow contingent basis, receiving 75% of available cash after recognized expenses.

Mr. Ueki opened for questions, introducing Mr. Abbey Mayer, on behalf of the Project.

In response to Vice Chair Taira, Mr. Ueki stated that because the loan is cash flow contingent, it would be difficult to default on the loan. However, if a project is having difficulty, adjustments to the loan terms could be made.

Designee Evans commented that she would support this For Action and is very pleased with the ability of the Project to deliver rental units at the 30%, 50%, and 60% area median income range.

Chair Pulmano asked if there were any questions or comments for or by the developer.

Mr. Mayer thanked the Chair and Board members for their support, noting that Artspace has developed over 20 similar types of projects across the County and has never failed to deliver.

In response to the member of the Public Dan Purcell, Mr. Ueki stated that he did not have the exact total number of no interest loans with him, but confirmed that there were more than ten in the HHFDC's portfolio.

With no further discussion, the motion was unanimously carried.

Chair Pulmano proceeded to Item A and asked for a motion.

Designee Evans moved, seconded by Designee Salaveria,

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$3,000,000 to Meheula Vista I LP or its successors for the benefit of the Meheula Vista I project, as approved by the Executive Director, with the terms and conditions as show 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 RHTF 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 RHTF 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 RHTF 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.

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Trust Fund
Project Award for
the Meheula Vista I
Project Located in
Mililani, Oahu, TMK
Nos.: (1) 9-5-002-060-
0001 and 0005

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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 \$1,385,000.
 6. Availability of RHTF program funds.
- B. 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 the proposed Meheula Vista I (Project) will consist of 76 elderly units located in Mililani, Oahu.

At the July 24, 2014 Special Board Meeting, the Board awarded the Project \$195,690 in 9% Federal LIHTC and \$597,845 in 9% State LIHTC.

Construction is anticipated to commence in the 3rd Quarter of 2014, with project completion anticipated in the 4th Quarter of 2015.

Loan term changes made through staff's recommendation is a no interest loan during the construction period of Years 1 through 3 and a 3% interest loan in Years 4 through Maturity.

Repayment of the RHTF loan will be on a cash flow contingent basis, receiving 75% of available cash after recognized expenses.

Mr. Ueki opened for questions, introducing Mr. Gary Furuta and Mr. Rick Stack, on behalf of the Project.

Director Fukumoto noted that she would need to recuse herself from the vote.

Director Taira requested that in the future, he would like to have further discussions on the methodology of its loan negotiations with staff.

President of the Catholic Charities Housing Development Corporation (CCHDC) Rick Stack thanked the Board and staff for their consideration and hard work. Furthermore, Mr. Stack noted that shortly after receiving approval for the awarding of LIHTC last month in July, CCHDC received calls by seniors wanting to move in.

With no further discussions, the motion was carried, with the recusal of Director Fukumoto.

Chair Pulmano proceeded to Item C and asked for a motion.

Designee Evans moved, seconded by Designee Salaveria,

That the HHFDC Board of Directors approve the following for the Meheula Vista Senior affordable rental housing project on approximately 7.5 acres of land at 95-1080 Lehiwa Drive in Mililani Mauka, Oahu, Hawaii, TMK (1) 9-5-002: 032 (portion), substantially as discussed in this For Action;

- A. Acquisition of the Property in fee simple by HHFDC for a reduction of the DURF loan by GSF LLC's land cost of \$6.75 million and leaseback to Catholic Charities MV LLC, or other related entities approved by the Executive Director, at \$1/year for 70 years, for the phased development of the Project;
- B. Assumption of the DURF loan by Catholic Charities MV LLC, or other related entities approved by the Executive Director, provided

III. C. DISCUSSION AND/OR DECISION MAKING

Approve the Fee Simple Acquisition of the Project Site by HHFDC, Write-Down Of the DURF Interim Loan, Leaseback of the Project Site to the Developer, Assumption of the DURF Interim Loan by the Developer, and Extension of the DURF Interim Loan for the Meheula Vista Senior Affordable Housing Project Located in

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that GSF LLC shall not be released from liability thereunder;

- C. Extension of the DURF loan by two years, with three additional options to extend by six-months each, at the sole discretion of the Executive Director, at one-half percent of the loan amount per extension;
- D. Execution of any memoranda or agreement(s) for the approvals described in this For Action, as required by the Executive Director;
- E. Authorize the Executive Director to take all actions necessary to effectuate the purpose of this For Action;

Subject to the following:

- F. Receipt of written confirmation from Castle & Cooke and GSF LLC that HHFDC or its developers shall not be subject to the requirement that Castle & Cooke must be the sole general contractor on HHFDC's or its developer's team for development of the Property;
- G. Transfer of the Property to HHFDC, reduction of the DURF loan and lease back of the Property to the Developer shall occur prior to, but coterminous with closing of the RHTF loan for Meheula Vista I, unless otherwise approved by the Executive Director;
- H. Construction of the Project shall not commence prior to recordation of the mortgages for the RHTF and DURF loan on the ground lease for Meheula Vista I. The Developer shall provide HHFDC with an ALTA Lender's title insurance of the ground lease for Meheula Vista I with a mechanic's lien endorsement acceptable to HHFDC insuring the priority of the RHTF and DURF loan behind the primary construction lender and against statutory liens for labor or material for the improvement of the Property caused by the visible commencement of operations prior to closing of the RHTF and DURF loan on the ground lease.
- I. Commencement of construction of the Project by August 17, 2015, unless otherwise extended at the sole discretion of the Executive Director;
- J. Completion of the Project by December 31, 2020, unless otherwise extended at the sole discretion of the Executive Director; and
- K. Compliance with all the 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, stating that the Meheula Vista is a proposed 4-phased project consisting of 301 senior units located in Mililani Mauka.

The Board approved a \$9.7 million DURF Loan to GSF LLC for land acquisition and planning and design on June 10, 2010. The City Council approved 201H exemptions for the project on August 17, 2011 with the condition that construction must commence within 48 months or the exemptions would be void.

GSF LLC acquired the project site for \$6.75 million on March 31, 2011, with the condition that the Seller, Castle and Cooke, be the sole General Contractor for the development of the property.

After a series of unsuccessful consolidation applications from 2011 - 2013, the Board approve the concept to acquire the property in fee simple and lease back

Mililani, Oahu,
TMK No.:
(1) 9-5-002: 032
(portion)

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the property to the developer at \$1/year for 70 years in March 2014.

The DURF loan will mature on February 11, 2015, with a 201H construction deadline of August 17, 2015.

HHFDC procured an appraiser for the property, which appraised at a fair market value of \$10.5 million, as of May 20, 2014.

GSF LLC will continue to be the project manager.

Resulting DURF loan will be \$2.95 million.

The Developer proposes to repay the DURF loan with a 2-year extension, on a pro rata basis per phase by applying for 4% and 9% LIHTC financing every year until all 4 phases are completed.

HHFDC received a letter dated August 6, 2014, from GSF LLC, and Castle and Cooke, confirming that Castle and Cooke is not required to be the general contractor for the development of the property.

Mr. Fujimoto opened for questions, introducing Mr. Gary Furuta, GSF LLC and Mr. Rick Stack, Catholic Charities MV LLC.

In response to Vice Chair Taira, Mr. Fujimoto clarified that this For Action would approve the overall DURF financing for all 4 phases of the Project.

Designee Evans commended staff for their work on a very difficult and complicated situation, which has made it possible for the Project to move forward.

Director Fukumoto stated that she would need to recuse herself from the vote.

Chair Pulmano asked if there were any comments by the Developers.

Mr. Stack stated that he would like to reiterate Designee Evan’s comment and commend staff for their hard work and help in finding a win-win solution to develop a good project for the community and this Organization.

The motion was carried, with the recusal of Director Fukumoto.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai reported on the following:

1. Staff will be working with the the Office of Planning on its TOD planner position, as well as the Counties on other TOD matters; and
2. HHFDC will continue to move forward on its various projects and concepts for infrastructure financing.

With no further discussion, Chair Pulmano asked for a motion to go into Executive Session.

Designee Salaveria moved, seconded by Designee Evans,

To convene in Executive Session at 9:30 a.m., pursuant to Section 92-5(a) (3), Hawaii Revised Statutes, to negotiate the acquisition of public property.

The motion was unanimously carried.

The Board reconvened in Regular Session at 10:19 a.m.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
EXECUTIVE
SESSION
9:55 a.m.**

**RECONVENED
10:19 a.m.**

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Chair Pulmano noted that the meeting minutes of the Executive Session held on July 24, 2014 was approved.

Designee Evans moved, seconded by Director Fukumoto,

That the meeting be adjourned at 10:20 a.m.

The motion was unanimously carried.

VI.
ADJOURNMENT



RONA FUKUMOTO
Secretary