

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE ANNUAL MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, JULY 11, 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 Annual Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, July 11, 2013, at 9:00 a.m.

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

**CALL TO
ORDER/
ROLL CALL**

Present: Director Ralph Mesick, Chair
Director Allan Los Banos, Vice Chair
Director Leilani Pulmano
Director Paul Kyno
Director Michael Ng
Designee Mary Alice Evans for Director Richard Lim
Designee Luis Salaveria for Director Kalbert Young

Executive Director Karen Seddon

Excused: Director Betty Lou Larson, Secretary
Director Kalbert Young
Director Richard Lim

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
Brian Davidson, Housing Finance Specialist
Mavis Masaki, Planner
Ken Takahashi, Housing Development Specialist
Lorna Kometani, Housing Sales Coordinator
Lorraine Egusa, Budget Analyst
Christopher Woodard, Property Management Coordinator
Krystal Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Senator Suzanne Chun Oakland, Hawaii State Senate

A quorum was present.

Designee Evans moved, seconded by Vice Chair Los Banos, to approve the Annual Meeting Minutes of July 12, 2012.

The motion was unanimously approved.

Chair Mesick asked for nominations to elect the board officers.

QUORUM

**II. A.
APPROVAL
OF MINUTES
7/12/12
Regular
Meeting**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Designee Evans moved, seconded by Director Kyno, to nominate Director Ralph Mesick to retain as the Board Chair.

The motion was unanimously approved.

Designee Evans moved, seconded by Director Kyno, to nominate Director Los Banos to retain as the Board Vice Chair.

Director Los Banos kindly declined and nominated Director Paul Kyno for the Board Vice Chair.

Designee Evans withdrew her motion.

Chair Mesick seconded the motion made by Director Los Banos, to nominate Director Paul Kyno as the Board Vice Chair.

The motion was unanimously approved.

Designee Evans moved, seconded by Director Kyno, to nominate Director Leilani Pulmano as the Board Secretary.

The motion was unanimously approved.

With all elected Board Members accepting to serve a term, Vice Chair Kyno moved, seconded by Director Los Banos, to adjourn the Annual Meeting at 9:05 a.m.

The motion was unanimously approved.



LEILANI PULMANO
Secretary

**III. A.
ELECTION
OF BOARD
OFFICERS**
Chairperson

**III. B.
ELECTION
OF BOARD
OFFICERS**
Vice Chairman

**III. C.
ELECTION
OF BOARD
OFFICERS**
Secretary

**IV.
ADJOURNMENT**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE SPECIAL MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, JULY 24, 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 Special Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, July 24, 2014, at 9:00 a.m.

Acting Chair Leilani Pulmano called the meeting to order at 9:08 a.m.

**CALL TO
ORDER/
ROLL CALL**

Present: Director Leilani Pulmano, Secretary
Director Edwin Taira
Director Rona Fukumoto
Director Michael Ng
Director Allan Los Banos
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

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Darren Ueki, Finance Manager
Rick Praher, Development Branch Chief
Stan Fujimoto, Development Section Chief
Ann Nakagawa, Fiscal Manager
Marlene Lemke, Real Estate Services Section Chief
Patrick Inouye, Housing Finance Specialist
Christopher Woodard, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Mavis Masaki, Planner
Lorna Kometani, Housing Sales Coordinator
Krystal Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Stephanie Burgess, Representative Beth Fukumoto's Office
Greg Handberg, Artspace Projects
Abbey Mayer, Artspace Projects
Ed Bourgeois, Pa'i Foundation
Rick Stack, CCHDC
Ann Bouslog, Forest City
Lia Powers, Coastal Rim
Gary Furuta, CCHDC
Jeff Furuta, CCHDC
Lee Ann Crabbe, Liliuokalani Trust
Kevin Carney, EAH Housing
Marian Gushiken, EAH Housing
Keith Kato, HICDC
Roy Katsuda, Hale Mohaolu
Stacy Sur, HHF, LLC
Andrew Gomes, Star-Advertiser
Giovanni Mola, CRP/MDC

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

A quorum was present.

Acting Chair Pulmano noted the resignation of former Chair Ralph Mesick and Vice Chair Paul Kyno, as of July 7, 2014.

Directors Edwin Taira, retired County of Hawaii Housing Administrator, and Rona Fukumoto, Catholic Charities Hawaii’s Housing Assistance and Referral Programs, were introduced and welcomed to the Board.

Designee Evans moved, seconded by Designee Salaveria,

That the minutes of the Regular Meeting held on June 12, 2014 be approved as circulated.

The motion was unanimously carried.

Designee Salaveria moved, seconded by Director Los Banos,

That the HHFDC Board of Directors approve the following:

- A. The Approved Project List for the FY 2014 funding round for Project Awards, subject to the following provisions and conditions:
 - 1. Approval of the Approved Project List does not obligate HHFDC to make an award to any applicant on the Approved Project List;
 - 2. Applicants on the Approved Project List shall not construe approval as an indication or guarantee of receiving an award or any other funding from HHFDC;
 - 3. HHFDC may elect to select, reject, or defer an applicant’s request, if HHFDC judges such action to be in the best interest of the RHTF program;
 - 4. The amount of an award is subject to availability of RHTF Program funds;
 - 5. HHFDC is not obligated to approve or fund the full amount of an applicant’s request;
 - 6. The actual form, terms, and conditions of each award shall be determined by HHFDC and is subject to negotiation between the applicant and HHFDC, and the completion of all appropriate legal documentation satisfactory to HHFDC And its legal counsel;
 - 7. The approval of each award and the disbursement of funds is subject to the final approval by the Governor of the State of Hawaii;
 - 8. The applicants agree to abide by all terms and conditions that may arise due to the use of public funds; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the Board approved the Fiscal Year 2014 Funding Round for the Rental Housing Trust Fund (RHTF) Project Award Program in December 2013. The HHFDC received seven (7) applications by its April 2, 2014 deadline, of which all scored in excess of the

QUORUM

II. A.
APPROVAL
OF MINUTES
6/12/14
Regular
Meeting

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Adopt the Approved
and Rejected List for
the Rental Housing
Trust Fund Project
Awards for the FY
2014 Funding Round

125-point minimum. No applications were placed on the Rejected Project List.

As of June 30, 2014, the RHTF Program has an estimated balance of \$22.1 million.

Approval of the Approved Project List does not obligate or guarantee any of the applicants will receive funding. The Corporation may elect, select, reject, or defer an applicant's request based on the best interest of the RHTF Program.

Based on the statutory funding priorities under the RHTF Program, all proposed projects qualified for the second priority for funding, being "mixed income rental projects or units in a mixed income rental project where all units are for persons and families with incomes below 140% of the area median gross income (AMGI)."

The Approved Project List shall remain in effect until the awards are made to projects on the Approved List or until a new list is approved, whichever comes earlier.

Mr. Ueki opened for questions.

Director Taira asked if information on the Qualified Allocation Plan (QAP) could be provided. Mr. Ueki explained that the QAP is used for allocating awards from the Low Income Housing Tax Credit (LIHTC) Program, with a separate scoring mechanism used for awarding funds from the RHTF Program.

Director Taira asked how the QAP is used to determine whether a project is awarded. Mr. Ueki stated that with the guidance received from the Board, staff has looked for greater efficiency in the use of its State funds, one of which is to provide a benefit to projects that require the least amount of State resources.

In reference to the subsequent For Action, which stated the ineligibility of a project, Director Taira asked if there were terms that could have been better negotiated in order for the project to qualify for the funds requested. Mr. Ueki stated yes. However, guidance received from the Board was applied in setting the parameters for negotiating awards for this year.

Designee Salaveria asked for clarification on the levels of the statutory funding priorities. Mr. Ueki explained that the approval of the Approved List is more procedural in nature. However, once the financing for a project has been underwritten, subsequent For Actions requesting the awarding of funds to the projects are presented for Board approval.

Acting Chair Pulmano asked if the guiding "policies" by the Board were established through the Financing Policy Subcommittee (Subcommittee). Mr. Ueki clarified that the Subcommittee provided general guidance, as opposed to setting "policies," that staff has applied in its negotiations for allocating its awards.

In regard to efficiency ratios, Acting Chair Pulmano asked that changes within the loan terms of the RHTF be discussed. Mr. Ueki stated that the current standards being looked at are: (1) a minimum 3% loan interest rate and (2) the term of repayment (approximately being within 40 years). However, staff continues to negotiate its terms to provide opportunities for a project to succeed, while maintaining its fiduciary responsibility in the use of government resources.

Mr. Ueki stated that staff is open to further discussions with the Board or members of the Subcommittee.

With no further discussion, the motion was unanimously approved.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Designee Evans moved, seconded by Designee Salaveria,

That the HHFDC Board of Directors approve the Award of Federal and State LIHTC to the following Projects in accordance with the QAP and subject to the conditions specified in Exhibit H of this For Action.

A. The Meheula Vista I project:

1. Allocation of up to \$1,195,690 of annual Federal and \$597,845 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:
 - a) 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.

B. The Ola Ka 'Ilima Artspace Lofts project:

1. Allocation of up to \$1,425,000 of annual Federal and \$712,500 of annual State LIHTC; subject to the terms as described in Section II, Subsection D and the following project specific conditions:
 - a) 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.

C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Mr. Ueki presented the For Action, noting the Facts of the LIHTC program for the new Board Members.

An unused credit amount of \$371,000 from the 2013 State's LIHTC Volume Cap was carried over, bringing a total of approximately \$3.6 million in Federal credits and the corresponding 50% of State credits.

HHFDC received five (5) LIHTC applications, evaluated with the criterion guidelines of the 2014 QAP and other relevant factors to rank and determine priorities in allocating the LIHTC.

Based on results of the overall scoring, LIHTC awards are being recommended to the Meheula Vista I and Ola Ka 'Ilima Artspace Lofts projects.

Hale Mahaolu Ewalu came in third and was considered for a possible LIHTC award. However, the project's RHTF loan request could not be underwritten with terms and conditions satisfactory to HHFDC and therefore, has been deferred. Staff will continue to work with the developer for a solution.

Mr. Ueki opened for questions, introducing Mr. Greg Handberg, on behalf of Artspace and Mr. Gary Furuta, on behalf of Meheula Vista.

In terms of the current efficiency ratio, Director Taira raised concern on the higher costs associated with the neighbor islands, which could cause the perception of not being "efficient," resulting in the development of more high-rise and/or high-density projects, rather than low-rise and smaller units in rural areas, such as those on the Big Island.

Mr. Ueki stated that staff is open to further explaining and discussing the current

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

Approve an Award of Federal and State Low Income Housing Tax Credits from the State's 2014 Volume Cap to: (1) Meheula Vista I Located in Mililani, Oahu, TMK Nos.: (1) 9-5-002-060-0001 and 0005; and (2) Ola Ka 'Ilima Artspace Lofts Located in Honolulu, Oahu, TMK No.: (1) 2-3-003-040

efficient ratios with the Board.

Acting Chair Pulmano asked that the efficiency ratios be defined. Mr. Ueki stated that efficiency ratios are defined through the RHTF and LIHTC funds being used or State subsidies that go into a particular project on a per unit basis.

Director Ng asked when the Board would be scheduled to review and reevaluate the QAP. Mr. Ueki stated that as the Board directed, staff is working with a third-party consultant to provide best practices, expertise, and input on the current QAP. An estimated timeline is as follows: (1) draft QAP is scheduled for Board approval in September/October 2014; (2) public comment and distribution of applications in November 2014; and (3) applications due by the end of February 2015.

Designee Evans noted that the Subcommittee did have the opportunity to meet with Consultant Jeanne Peterson earlier in the month to discuss its goals and history of Hawaii's LIHTC program, which she felt was a good start.

In response to Designee Salaveria, Mr. Ueki stated that the increase in the efficiency ratio from 2013-2014 is not indicative of a larger trend, but rather due to the awarding of two Kauai projects that were receiving HOME funds in conjunction with State funding, helping to lower costs and increase its efficiency.

Mr. Ueki added that the efficiency ratio will differ from year to year, depending on the projects submitted to the HHFDC.

Director Fukumoto asked Counsel if she would need to recuse herself from voting due to her relationship with Catholic Charities. Deputy Attorney General Sandra Ching stated that there is no conflict of interest; however, if she felt it to be necessary to do so, she could.

Both Directors Fukumoto and Los Banos recused themselves from voting.

Acting Chair Pulmano asked if the remaining funds could be awarded to the projects remaining on the Approved List. Mr. Ueki stated that although submitted applications cannot be amended, the Board could have a second funding round or elect to approve other projects on the Approved List based on a new direction and use of the efficiency ratio. However, all projects on the Approved List would remain until the end of the calendar year.

In response to Designee Evans, Mr. Ueki stated that the interest rate and payback period is not a part of the application and can be negotiated with the applicant during the current funding round, in which staff would come back to the Board for approval.

Acting Chair Pulmano asked if the developers of the projects had any comments.

Vice President of Properties Greg Handberg introduced himself, thanking the Board for the opportunity and consideration of the Ola Ka 'Ilima Artspace Lofts project, consisting of 84 affordable housing units for artist with low- to moderate-incomes, located in the Kakaako district.

Designee Evans asked on the affordability period of the project. Mr. Handberg stated that the Properties' mission is to create, foster, and reserve affordable spacing in perpetuity; however, the project is under a 65-year lease with the State.

Designee Salaveria asked for the status on its community outreach. Mr. Handberg stated that the project has received tremendous support from the Kakaako Community and continues to be in good dialogue with the neighborhood.

Director Taira asked on the type of artists' eligible for the project. Mr. Handberg

stated that it would be a broad spectrum of artists, such as those participating in visual arts, musicians, dancers, and cultural practitioners, deriving most of their revenues from sources other than their art.

Director Taira asked how is one's income determined to be that of an artist. Mr. Handberg stated that applicants do go through the traditional tax credit housing application process and federal fair housing compliant interviews to determine their participation in the arts, but there is no certification process to determine whether an artist is an artist or not.

Acting Chair Pulmano asked on the use of the commercial space within the proposed project. Mr. Handberg stated that there are two commercial spaces, each being separately financed. One commercial space will be occupied by a Native Hawaiian Cultural Organization called Pa'i Foundation, with the second space yet to be determined.

Acting Chair Pulmano called on Mr. Furuta, on behalf of the Meheula Vista I project.

Mr. Furuta congratulated the new Board members and stated that this will be his first project in working with the Catholic Charities Housing Development Corporation. The project will provide many services, such as, but not limited to, on-site case managers and transportation.

Designees Evans and Salaveria disclosed their service on the Hawaii Community Development Authority Board, which has title to the land under the Ola Ka 'Ilima Artspace Lofts project and stated that there is no financial interest, unless otherwise stated by Counsel. There were no objections.

Executive Director Hirai asked to take separate votes on each project.

With no objections, Designee Salaveria moved, seconded by Director Ng,

To approve staff's recommendation as noted for the Meheula Vista I project.

The motion was approved, with the recusal of Directors Fukumoto and Los Banos.

Designee Salaveria moved, seconded by Designee Evans,

To approve staff's recommendation as noted for the Ola Ka 'Ilima Artspace Lofts project.

The motion was unanimously approved.

With no further discussion, Acting Pulmano entertained a motion to go into Executive Session to discuss agenda item III. C.

Designee Salaveria moved, seconded by Director Los Banos,

That the Board convene in Executive Session, pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities.

The motion was unanimously approved.

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

Approve a Settlement with the U.S. Fish and Wildlife Service to Preserve Critical Habitat at the Kamakana Villages at Keahuolu Project Located in Keahuolu, North Kona, TMK No. (3) 7-4-021: 020, 024 to 046

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The Board convened in Executive Session at 9:55 a.m.

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

At 11:05 a.m., the Board reconvened into Regular Session, with Acting Chair Pulmano noting the approval of agenda item C and Executive Session meeting minutes of June 12, 2014.

RECONVENED
11:05 a.m.

With the resignation of its two members, Acting Chair Pulmano stated that the Financing Policy Subcommittee will include Directors Lim, Salaveria, Taira, and herself.

Acting Chair Pulmano proceeded to the Report of the Executive Director.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

Executive Director Hirai noted that a housing information briefing took place yesterday and staff will report to the Board at a future meeting.

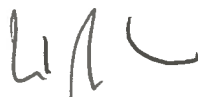
With no further discussion, Acting Chair Pulmano asked for a motion to adjourn.

**V.
ADJOURNMENT**

Designee Salaveria moved, seconded by Director Los Banos,

That the meeting be adjourned at 11:07 a.m.

The motion was unanimously carried.



LEILANI PULMANO
Secretary