

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, APRIL 9, 2015
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 a regular meeting at 677 Queen Street, on Thursday, April 9, 2015, at 9:00 a.m.

Chair Leilani Pulmano called the meeting to order at 9:00 a.m. Those present and excused were as follows:

**CALL TO
ORDER/
ROLL CALL**

Present: Director Leilani Pulmano, Chair
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Audrey Abe
Director Melvin Kahele
Director Luis Salaveria
Designee Roderick Becker for Director Wesley Machida

Executive Director Craig Hirai

Excused: Director Wesley Machida

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Praher, Development Branch Chief
Ann Nakagawa, Chief Financial Officer
Stuart Kritzer, Asset Management
Marlene Lemke, Sales and Counseling Section Chief
Patrick Inouye, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Glori Ann Inafuku, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Leo Domingo, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Lorna Kometani, Housing Sales Coordinator
Lisa Wond, Planner
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Mike Hemmens, Citibank
Greg Goldberg, Citibank
Dave Nakamura, Mutual Housing
Mudra Josephson, Office of Senator Chun Oakland
Scott Gomes, CBRE
Andy Kazama, CBRE
Drew Reinders, CBRE

A quorum was declared present.

Director Salaveria moved, seconded by Vice Chair Taira

That the minutes of the Regular Meeting held on March 12, 2015 be approved as circulated.

QUORUM

**II. A.
APPROVAL
OF MINUTES**
3/12/15
Regular
Meeting

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The motion was unanimously approved.

Approval of the minutes of the Executive Session held on January 8, 2015 was deferred to a future meeting.

Approval of the minutes of the Executive Session held on February 12, 2015 was deferred to a future meeting.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Resolution No. 073, attached as Exhibit E, which provides approval to issue revenue bonds of up to \$29,000,000 for the Ko'oloa'ula Phase II Project, subject to the provisions and conditions recommended in Exhibit D and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Vice Chair Taira moved, seconded by Director Salaveria

That staff's recommendation be approved.

Finance Branch Darren Ueki presented the For Action, stating that the approval of the various resolutions are a part of the bond process, with this For Action authorizing the issuance of the Hula Mae Multi-Family (HMMF) tax-exempt revenue bonds for Phase II of the Ko'oloa'ula family project (Project), which will consist of 188 units, located in Ewa Beach, Oahu.

The HMMF Bond Program allows the HHFDC to issue the bonds to finance the acquisition and rehabilitation for development of privately owned affordable units. All repayment obligations are the responsibility of the developer or owner requesting the financing.

A decrease in vertical construction costs resulted in a net savings of \$70,000. The Project also received a higher Low Income Housing Tax Credit (LIHTC) syndication rate and obtained a Solar Tax Credit equity, eliminating the need for a City & County of Honolulu (C & C) loan.

Construction is set to start in May 2015, with the first building completed in February 2016 and the last building completed in February 2017.

The requested HMMF Bond amount will be a private placement with the Bank of Hawaii and expected to fund over 50% of the Project's cost, qualifying the Project to receive Federal and State non-competitive 4% LIHTC.

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was conducted in May 2014.

Mr. Ueki opened for questions, along with Mr. Dave Nakamura, on behalf of the Project.

In response to Vice Chair Taira, Mr. Nakamura stated that the building permits have been reviewed and approved.

**II. B.
APPROVAL
OF MINUTES**
1/08/15
Executive
Session

**II. C.
APPROVAL
OF MINUTES**
2/12/15
Executive
Session

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve Resolution
No. 073, Authorizing
The Issuance of Hula
Mae Multi-Family
Tax-Exempt Revenue
Bonds for the
Ko'oloa'ula Phase II
Project Located in Ewa
Beach, Oahu, TMK
Nos.: (1) 9-1-017: 115
through 118

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With no further discussion, the motion was unanimously approved.

Chair Pulmano proceeded to agenda item III. B.

Planner Lisa Wond provided an informational presentation on the anticipated funding amounts and program activities for the 5-year Consolidated Plan (Consolidated Plan) and Annual Action Plan for funds received under the U.S. Department of Housing and Urban Development's (HUD) formula grant programs: HOME Investment Partnership (HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA).

The HUD formula grant program funds focuses on the Neighbor Island counties, while the C & C receives its own allocation of HOME funds being an entitlement jurisdiction and is required to prepare its own Consolidated Plan.

The draft Consolidated Plan is available for public review at the regional libraries, County housing agencies, Hawaii Public Housing Authority, Department of Human Services, HHFDC and on the HHFDC's website. Public comments will be accepted through May 4, 2015 and are given consideration before finalizing.

Staff will return for approval of the Plan for Program Year 2015 at the May 14, 2015 Board meeting.

In response to Director Salaveria, Ms. Wond explained the public comment process consisting of public hearings that are held in conjunction with the Neighbor Island counties. Once a plan is composed, it then goes out for a public comment period before being finalized.

Vice Chair Taira asked how the Consolidated Plan applies to the DBEDT Housing Study. Chief Planner Janice Takahashi explained that the DBEDT study shows the population growth being greater on the neighbor islands as oppose to the C & C, being in conjunction with the Consolidated Plan and its focus on the Neighbor Island counties.

Director Salaveria asked on the status of the new rotation process. Ms. Wond stated that from a planning perspective results are unknown until the cycle has gone through a full rotation. However, county responses received have been positive.

In response to Director Kahele, Ms. Wond concurred that the allocated amounts for the ESG and HOPWA programs are divided among the Neighbor Island counties and is not a significant amount, and therefore, focuses on the Neighbor Island counties as well.

In reference to Exhibit A, Chair Pulmano commented that she was pleased to see that although nominal, the amount of funds seemed to be doing a lot.

In response to Director Fukumoto, Ms. Wond concurred stating that the Homeless Programs Office of the Department of Human Services developed the goals for the homeless section.

With no further discussion, Chair Pulmano proceeded to Item C.

Chief Financial Officer Ann Nakagawa distributed and provided an overview of the HHFDC's income statements, covering the revenues of each fund, cash receipts, operating expenses, and cash outflows. (See Attachment)

The source of revenues for the Rental Housing Trust Fund (RHTF) is the conveyance tax received, interest income from loans lent out and repaid, and infusion of funds from the State Legislature.

The Legislature increased the percentage of conveyance tax received from 30% to

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

Information on the Draft Five-Year Consolidated Plan for Program Years 2015 through 2019 (July 1, 2015 through June 30, 2020) and the Draft Annual Action Plan for Program Year 2015 (July 1, 2015 through June 30, 2016)

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

Review of the Hawaii Housing Finance and Development Corporation

50%. Currently, the Legislature is looking at whether to cap the amount of conveyance tax received. However, receiving additional RHTF funds for Transit Oriented Development is a possibility.

Vice Chair Taira asked what was the difference between a trust fund and a revolving fund. Ms. Nakagawa clarified that a trust fund would be holding of monies for the benefit of a certain group of people whereas a revolving fund has money coming in and going out. Staff believes the RHTF should be a revolving fund.

Cash outflows for the RHTF are administrative expenses and issuances of loans.

The source of revenues for the Dwelling Unit Revolving Fund (DURF) are rental income from projects owned by the HHFDC (Kekuilani Gardens, Nani O Puna, Kamaaina Hale, and Kahikolu), interest on interim loans lent out, interest income, as well as infusion of funds received from the State Legislature. This will be the last year for interest on State Treasury monies to go to the General Fund.

Cash outflows for the DURF are administrative expenses, maintenance of rental projects, remnant lots, and water, depreciation on rental projects, issuance of interim loans, and coverage for rental project shortages for operational expenses.

The source of revenues for the Rental Housing System Revenue Bond Fund (RHSRBF) are rental income on dwelling units, parking, commercial units, and previously from bond proceeds.

Cash outflows for the RHSRBF are administrative expenses to run the fund, rental projects, bond interest, and building depreciation.

The source of revenues for the Single Family Bond Fund (SFBF) is interest, proceeds from sales of the Mortgage-backed Securities (MBS) and administrative fees.

Cash outflows for the SFBF are administrative expenses, repayment of the bond principal and interest, housing assistance on down payments, and purchases of new investments of MBS.

The source of revenues for the Rental Assistance Revolving Fund (RARF) is interest on loans.

Cash outflows for the RARF are administrative expenses and rental assistance payments.

Mr. Ueki stated that the rental assistance is a project-based program, which the HHFDC pays a shallow subsidy no more than \$175 to \$250 for active contracts. Currently, the HHFDC has commitments in excess of the monies available within the program.

The Housing Finance Revolving Fund (HFRF) takes fees from the Mortgage Credit Certificate Program as well as the Low Income Housing Tax Credit (LIHTC) Program. Infusions for the LIHTC loan program have been received from the Legislature.

Cash outflows for the HFRF are administrative expenses and issuance of the LIHTC loans.

The source of revenues for the Federal Funds are grant monies received for the HOME program and grant outlays. Other federal funds received are currently winding down.

The General Obligation Fund's source of revenues are from new State appropriations not allotted.

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Ms. Nakagawa referenced and discussed the breakdown of administrative expenses, stating that updates are provided when significant changes are made or every couple of years.

With no further discussion, Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Craig Hirai stated that both the House and Senate have agreed to infuse \$50 million into the RHTF within the CIP Budget and House Bill 1025, relating to the executive director salary, remains under review with possible modifications to cap the executive director salary to the Director of DBEDT.

Chair Pulmano asked that the language of HB 1025 be forwarded to the Board once obtained, commenting that she would like the Board to be able to have the flexibility to do salary increases.

In response to Chair Pulmano, Executive Director Hirai stated that the Board will be kept apprised on the decision-making on SB 1299 with respect to a proposed conveyance tax cap.

Executive Director Hirai stated that discussions have started with the Department of Transportation on a transfer of land near Kukui Gardens project.


Mr. Ueki introduced Mr. Greg Goldberg and Mr. Mike Hemmens from Citibank to the Board, stating that as underwriters, they help assist the HHFDC on its Multi-Family projects.

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

Vice Chair Taira moved, seconded by Director Salaveria

That the meeting be adjourned at 9:55 a.m.

The motion was unanimously approved.


for RONA FUKUMOTO
Secretary

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT
9:55 a.m.**