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 14, 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, May 14, 2015, at 9:00 a.m.

CALL TO ORDER/ ROLL CALL

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

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

Executive Director Craig Hirai

Excused: Director Rona Fukumoto, Secretary
Director Wesley Machida
Director Audrey Abe

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, 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
Lawrence Pulido, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Seiji Ogawa, 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: Dennis Silva, Jr., Hawaii Planning LLC
Frank Mola, MJF
Lia Powers, MJF
Leileihualani Kane, Waiahole lessee

QUORUM

A quorum was present.

Chair Pulmano announced and congratulated Vice Chair Taira and Director Kahele on their confirmation held on May 16, 2015.

II. A. APPROVAL OF MINUTES
4/9/15

Vice Chair Taira moved, seconded by Director Kahele

> That the minutes of the Regular Meeting held on April 9, 2015 be approved as circulated.

The motion was unanimously approved.

Regular Meeting

II. B. APPROVAL OF MINUTES
2/12/15 Executive Session

The minutes of the Executive Session held on January 8, 2015 was deferred to the June 18, 2015 Board Meeting.

II. C. APPROVAL OF MINUTES
1/8/15 Executive Session

The minutes of the Executive Session held on February 12, 2015 was deferred to the June 18, 2015 Board Meeting.

III. A. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 056, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kunia Village Project Located in Kunia, Oahu, TMK Nos.: (1) 9-2-005: 023 CPR 0003 and 0004

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Kunia Village project to November 30, 2015; 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 Kahele

That staff's recommendation be approved.

Finance Manager Darren Ueki noted that the Kunia Village (Project) was originally approved in November 2013, in which the Board approved $24,200,00 in Hula Mae Multi-Family (HMMF) tax-exempt bond cap and $1,000,565 in 4% annual Federal Low Income Housing Tax Credits (LIHTC) and $500,282 in 4% annual State LIHTC.

The Project will provide 45 rehabilitated units to historic standards, 23 demolished and reconstructed units, and 14 newly constructed units for families.

Building permits are ready for issuance, with Project construction anticipated to start on August 1, 2015, the first building completed on November 15, 2015, and project completion on December 31, 2015.

Based on the following progress made in three basic milestone areas of site control, zoning approvals, and financing commitments, staff is recommending a six-month extension to November 30, 2015 for the issuance of the HMMF Bonds:

- Kunia Village LLP (Partnership) has an agreement to acquire a long-term leasehold interest on the site.
- Building permits are ready for issuance with a Final Review Letter from the Disability and Communication Access Board received on August 7, 2014.
- Wells Fargo Bank, N.A., is the prospective investor for the HMMF bonds and Alliant Capital is the prospective syndicator for the Low Income Housing Tax Credits. The U.S. Department of Agriculture (USDA) approval is pending for Section 515 Loans, Section 538 Loan Guarantee, and project based rental assistance.

If deemed feasible, staff will present a subsequent resolution to the Board for approval for the actual issuance, sale, and delivery of the bonds, subject to the availability of volume cap, approval by the Department of Budget and Finance, and the Governor.

Director Kahele asked what happens to the residents of the 23 units being demolished and rehabilitated. Mr. Ueki stated that it is uncertain without a project representative present. However, Housing Finance Specialist Patrick Inouye stated that typically accommodations or a relocation allowance is provided for existing tenants to be placed in a hotel or alternate location while the rehabilitation is being completed.

Vice Chair Taira inquired on the 8.6% Developer's Fee. Mr. Ueki stated that 8.6% is lower than what has been seen in recent years. An acceptable developer's fee is anywhere up to 15% based on data received from the National Council of State Housing Agencies.

In response to Vice Chair Taira's follow up question, Mr. Ueki stated that staff is unaware of USDA capping the developer's fee and is confident that USDA is aware of the project budget.

The motion was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING
Approve an Extension to Resolution No. 058, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kekuilani Gardens Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-078: 052

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

A. Extend the deadline to issue HMMF Bonds for the Kekuilani Gardens project to November 30, 2015; 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 Kahele

That staff's recommendation be approved.

Mr. Ueki noted that the Kekuilani Gardens (Project) is currently owned by HHFDC with an existing 56 affordable units for families.

The Project was originally approved in November 2013, which the Board approved $9 million in HMMF Bonds, $572,000 in Federal 4% LIHTC, and $286,000 in State 4% LIHTC.

Building permits are ready for issuance, with Project construction anticipated to start in July 2015, the first building completed in October 2015, and project completion in March 2016.

Based on the following progress made in three basic milestone areas of site control, zoning approvals, and financing commitments, staff is recommending a six-month extension to November 30, 2015 for the issuance of the HMMF Bonds:

- Kekuilani Gardens Partners, LP (Partnership) was selected by HHFDC through a Request for Proposal process to acquire a long-term leasehold interest on the site.

- Building permits are ready for issuance with a Final Review Letter from the Disability and Communication Access Board received on August 29, 2014.

- Citibank N.A. is the prospective investor for the HMMF bonds and City Real Estate Advisors, Inc. is the prospective syndicator for the Low Income Housing Tax Credits. The USDA approval is pending for the Project sale, USDA loan assumption, and transfer of the project based rental assistance.

If deemed feasible, staff will present a subsequent resolution to the Board for approval for the actual issuance, sale, and delivery of the bonds, subject to the availability of volume cap, approval by the Department of Budget and Finance, and the Governor.

Mr. Ueki opened for questions, noting that Ms. Makani Maeva, on behalf of the Project, had intended to be present today and may be running late.

Mr. Ueki explained to the Board that behind all the approvals, staff has worked diligently with both projects and USDA is another layer of approvals that are needed. However, staff is confident that both projects will be in a position to issue their bonds in June/August 2015, before the November 2015 extension deadline.

Director Salaveria asked who the contractor of the Project was. Mr. Ueki stated that staff will check and report back to the Board.

The motion was unanimously approved.

III. C. DISCUSSION AND/OR DECISION MAKING
Approve Amendments to Previously Approved Income Restrictions and Unit Mix to Target Families at 80% of HUD AMI and Below for a Limited Period, and a Dwelling Unit Revolving Fund Interim Loan Requested by MJF Development Corporation for the Proposed 'Ohana Hale Affordable For Sale Condominium Project, Located in McCully, Oahu, TMK No.: (1) 2-3-028: 004

Staff's recommendation was presented as follows:

> That the HHFDC Board of Directors approve amendments to the income restrictions and unit mix previously approved by the HHFDC Board of Directors to target families at 80% AMI and below for a minimum period of 90 days, and a Dwelling Unit Revolving Fund interim loan of up to a total of $16,146,000 for the proposed 'Ohana Hale affordable for sale condominium project, located in McCully, Oahu, TMK No.: (1) 2-3-028:004, substantially as described in this For Action, subject to the following:
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> A. Availability of DURF funds;
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> B. Approval and release of funds by the Governor;
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> C. Approval and execution of necessary loan documents by the Executive Director;
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> D. Developer shall provide to HHFDC (prior to closing of the DURF loan) an appraisal acceptable to HHFDC, which shall include estimates of the completed retail value and the bulk sales value of the completed Project. The LTV of the DURF interim loan and all mortgages and payments with priority before the DURF loan shall not exceed 86.1% of the appraised bulk value prior to closing, unless otherwise approved by the Executive Director.
>
> E. Closing of the DURF interim loan shall occur on or about the closing of the primary construction financing, unless otherwise approved by the Executive Director;
>
> F. Compliance with all rules and regulations and such other terms and conditions as may be required by the Executive Director; and
>
> G. The Executive Director shall be authorized to take all actions necessary to effectuate the purpose of this For Action.

Vice Chair Taira moved, seconded by Director Kahele

> That staff's recommendation be approved.

Amended copies of Exhibit A and E were distributed to the Board.

Development Branch Chief Rick Prahler stated that this For Action addresses (1) the City Council's income limit and unit mixed under its 201H process, and (2) a requested DURF construction loan and portfolio update.

On March 12, 2105 the Board approved the 'Ohana Hale (Project), a 180 unit proposed for-sale condominium project located within the McCully/Moiliili neighborhood.

Out of the 180 units, 78 units were to be studio units, 87 one-bedroom units, and 15 two-bedroom units. Sixty percent or 108 units were to be priced in the affordable range of households earning less than 120% of the U.S. Department of Housing and Urban Development (HUD) area median income (AMI) for the year of initial sale of units, consisting of 78 studios and 30 one-bedrooms, as shown below:

Income Limits	**# of Units**
80% AMI	0
100% AMI	22
120% AMI	86
Total Units:	108
Unit Mix	
Studios @ 80% AMI	0
Studios @ 100% AMI	22
Studios @ 120% AMI	32
One-Bedrooms @ 120% AMI	54
Total Units:	108

However, on April 30, 2015, the City Council Committee on Zoning and Planning considered the requested exemptions and recommended adoption of the draft Resolution 15-89, CD1 in amended form by the full Council. Therefore, the Project had to adjust its affordable income limits and units mix in order to meet the requirements of the City Council as follows:

Income Limits	**# of Units**
80% AMI	36
100% AMI	36
120% AMI	36
Total Units:	108
Unit Mix	
Studios @ 80% AMI	36
Studios @ 100% AMI	36
Studios @ 120% AMI	6
One-Bedrooms @ 120% AMI	30
Total Units:	108

In recognition of buyers at the 80% AMI income range possibly not being ready to purchase, the City placed a 90-day sales requirement to find 80% AMI income range buyers for the units. If there are no buyers found after the 90 days, those units could be moved up within the 100% AMI category.

MJF Development Corporation (Developer) also submitted an application for a DURF interim loan to partially finance the construction of the Project. The DURF interim loan terms were noted as follows:

1. Borrower: MJF Development Corporation, or other entity approved by the Executive Director
2. Loan Amount: Up to $16,146,000
3. Form of Loan: Second mortgage loan secured by the fee simple interest in the property, improvements and chattels.
4. Interest Rate: 4.0% per annum and compounded monthly.

5. Loan Term:	Thirty months. Two optional six (6) month extensions, at the sole discretion of the Executive Director, subject to a loan extension fee of 0.5% of then outstanding loan balance for each extension.
6. Origination Fee:	1.0% of the total loan amount, payable upon the closing of the loan.
7. Administrative Fee:	One-thousand dollars per unit (total $180,000), payable upon the closing of the loan.
8. Presale Requirement:	Prior to disbursement of any DURF loan funds, the Borrower shall have entered into at least 90% presales of the affordable units with the total aggregate presales of both the affordable and market rate units equal to at least 162 units, under binding sales contracts, which sales shall provide gross sale proceeds of not less than the total project cost as approved by HHFDC.
9. Repayment and Completion Guarantors:	Joint and several guarantees from individuals Franco and Renee Mola, Dennis Mahoney, and Yang Suh, together with their respective trusts, as applicable.

10. The Project shall provide no less than 108 affordable units, of which 36 units shall be offered to household earning a maximum of 80% AMI, 36 units hall be offered to households earning a maximum of 100% AMI, and 36 units shall be offered to households earning a maximum of 120% AMI. The Developer shall market the homes at 80% AMI category for a minimum period of 90 days, after which the unsold units may be offered to households earning a maximum of 100% AMI. Notwithstanding the foregoing, no more than 36 units shall be offered to households earning a maximum of 120% AMI. All affordable units shall be subject to HHFDC Buyback and Shared Appreciation Equity restrictions.

11. Borrower shall provide to HHFDC ALTA Lender's policy of Title Insurance, issued by a title insurer acceptable to HHFDC, insuring the lien priority of the loan behind the primary construction lender.

12. Borrower shall provide evidence that Borrower's required cash equity contribution of no less than 9.3% of total project costs has been injected for disbursement of budgeted costs prior to or upon closing of the loan.

13. Other terms and conditions set forth in the DURF loan documents.

The Project's Team was noted, with its General Contractor and Sales Broker/Realtor to be determined.

The Developer has an existing DURF loan of $1.5 million for the land, which has been extended to July 1, 2015.

The property tax assessments was previously assessed at $2.995 million in 2014 and $3.176 million in 2015.

Based on market studies done by Novogradac & Company LLP, there is an adequate demand despite the smaller units and sufficient buyers are anticipated to absorb all of the project units.

The Developer intends to apply for GET Tax exemptions for project development costs and its 60% threshold of units at 140% and below the AMI has been met.

Mr. Prahler cited the proposed schedule of the Project, noting that the Development Agreement is yet to be finalized, with DURF loan documents and Public Report for the condominium to be obtained.

An update on the DURF Portfolio and risk assessments were cited and read. Based on this assessment, HHFDC finds the Developer as an Eligible Developer pursuant to Section 15-307-24, Hawaii Administrative Rules (HAR) and the Developer's request meets the minimum proposal requirements pursuant to Section 15-307-26, HAR.

Mr. Prahler opened for questions, introducing Mr. Franco Mola, on behalf of the Project.

Discussion ensued on whether there would be a sufficient amount of the target groups to qualify under the required income limits. Mr. Mola stated that due to the Project's location being within an old community, close to the University of Hawaii, schools, parks and recreational facilities, the Project targets younger and older singles, couples, workforce groups, as well as families, that are believed to meet the required income limits and sufficiently fill all units within the Project.

Vice Chair Taira commented that he felt the previous unit mix was better, including more affordable one-bedroom units as opposed to studios.

Director Salaveria asked if changes to the allocation mix by the City are common and something that the HHFDC could expect more frequently in the future. Mr. Prahler stated that this is the first time the City and County has changed a previously approved allocation mix, believing that the realization of the affordable housing issue has caused a more proactive effort by the City going forward.

Chair Pulmano stated that she believe this to be more of an Oahu centric issue as opposed to the Neighbor Islands.

In terms of Vice Chair Taira's comment on the unit mix, Director Salaveria concurred, stating that by having the amended allocation mix decreases the demographics of the actual residences.

Vice Chair Taira commented that he believed those within the 80% AMI group should be renters.

Director Kahele asked if local general contractors were being considered. Mr. Mola concurred; stating that with the current economics, selection is very tight.

In response to Director Salaveria, Mr. Prahler concurred that developer profit is the essential change in value between the interim and permanent costs and is one of the reasons the Developer's Overhead fee on the interim side is only 2.7%.

In response to Director Salaveria, Mr. Prahler stated that there is a specific format in which the HHFDC follows in reviewing project budgets and uses of funds.

In response to Vice Chair Taira, Mr. Prahler stated that prior to the 90-day pre-sale required by the City, pre-sales could have been for 30 or 15 days.

With no further discussion, the motion was unanimously approved.

Director Salaveria requested that discussion around the change of the allocation mix be accurately captured within the minutes.

Staff's recommendation was presented as follows: **III. D. DISCUSSION AND/OR DECISION MAKING**

That the HHFDC Board of Directors:

A. Approve the State of Hawaii's Five-Year Consolidated Plan for Program Years 2015 through 2019 (July 1, 2015 through June 30, 2020) and the Annual Action Plan for Program Year 2015 (July 1, 2010 through June 30, 2016); and

B. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Consolidated Plan and Annual Action Plan.

Approve the State of Hawaii's Five-Year Consolidated Plan for Program Years 2015 through 2019 (July 1, 2015 through June 30, 2020) and Annual Action Plan for Program Year 2015 (July 1, 2015 through June 30, 2016)

Vice Chair Taira moved, seconded by Director Kahele

That staff's recommendation be approved.

Planner Lisa Wond noted that the draft five-year Consolidation Plan (CP) and Annual Action Plan (AAP) is an application for federal funding and a planning tool in projecting anticipated uses of funds received under the HUD programs of HOME Investment Partnership (HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). A For Information on the draft CP and AAP was discussed at the April 9, 2015 Board Meeting and will be submitted to HUD upon approval.

In response to Director Salaveria, Ms. Wond stated that there were no changes made since last discussed in the previous month.

Director Kahele asked what is being done to address the lack of Fair Housing awareness. Ms. Wond stated that the counties provide educational sessions for landlords and the general public; the counties publicize these sessions through newspaper notices, flyers, and email.

The motion was unanimously approved.

III. E. DISCUSSION AND/OR DECISION MAKING
Information on the Waiahole Valley Agricultural Park and Residential Lots Subdivision

With the absence of some of its Directors and Director Kahele having to leave shortly, the Board decided to defer Item E. to a future meeting.

RECESS
10:05 a.m.

The Board recessed at 10:05 a.m. and reconvened the meeting at 10:13 a.m.

III. F. DISCUSSION AND/OR DECISION MAKING
Information on the Assignment Provision In the Development Agreement with Forest City Hawaii Kona, LLC for the Kamakana Villages At Keahuolu Project Located in Keahuolu, North Kona, TMK Nos.: (3) 7-4-021:020, 024, 028 to 041, and 044 to 046

Development Section Chief Stan Fujimoto provided background information on the Kamakana Villages (Project), which will consist of 2,300 units and is part of a master planned community in North Kona, Hawaii.

Forest City Hawaii Kona, LLC was selected as the Developer for the Project through a Request for Proposal (RFP) process in 2008 and a Development Agreement was executed on March 31, 2009.

Forest City is requesting for an amendment to the Development Agreement to include a free assignability clause by the Developer without HHFDC's consent.

Director Salaveria moved, seconded by Vice Chair Taira

That the Board of Directors convene in Executive Session pursuant to HRS Section 92-5(a)(4) 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.

EXECUTIVE SESSION
10:15 a.m.

The Board convened in Executive Session at 10:15 a.m.

The Board reconvened in Regular Session at 10:50 a.m. and proceeded to the Report of the Executive Director.

IV. REPORT OF THE EXECUTIVE DIRECTOR

Executive Director Craig Hirai reported that the Legislature has adjourned and briefly discussed the following bills of interest:

- House Bill (HB) 134 authorizes the counties to extend the surcharge for rail during the next 5 years and amends the definition of public lands to include air rights over any portion of State land upon which a county mass transit project is developed after 2005. The concern of staff is should the City have say in what can be done over land the State owns.

- HB 277 asks the HHFDC to partner with the counties in using the community facilities district financing mechanism to repay the infrastructure bonds.

- HB 500 infuses $40 million into the Rental Housing Trust Fund (RHTF) statewide and $1.7 million for planning and design for Alder Street. A proviso was placed on the Memorandum of Agreement (MOA) for Alder Street, allowing its portion to be built in phases as opposed to obtaining full funding for their portion by the end of next session.

- Senate Bill (SB) 971 is the Homeless Task Force version of the administrative bill that requires a minimum affordability periods for GET Exemptions – 30 years for new construction, 10 years for substantial rehabilitation, and 5 years for moderate rehabilitation.

- SB 292 reclassifies the RHTF to a Rental Housing Revolving Fund. However, there are unconstitutional issues dealing with repeals and reclassification and may be vetoed. Further review is being done by the Attorney General Office.

- SB 1299 is the $38 million cap for the conveyance tax. Fifty percent of the $38 million will go to the RHTF starting next fiscal year.

Executive Director Hirai also announced that Vice Chair Edwin Taira and Directors Rona Fukumoto, Melvin Kahele, and Audrey Abe have all been confirmed.

Chair Pulmano congratulated the mentioned Directors on their confirmation.

Director Salaveria noted that the salary of the executive director bill did not pass once again. However, an incremental increase is anticipated for next session.

V. ADJOURNMENT
11:55 a.m.

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 11:55 a.m.

The motion was unanimously approved.

RONA FUKUMOTO
Secretary