

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, JUNE 18, 2015
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

**AMENDED
MINUTES
7/9/2015**

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, June 18, 2015, at 9:00 a.m.

Acting Chair Edwin Taira called the meeting to order at 9:06 a.m. Those present and excused were as follows:

**CALL TO
ORDER/
ROLL CALL**

Present:

Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Audrey Abe
Designee Mary Alice Evans for Director Luis Salaveria
Designee Roderick Becker for Director Wesley Machida

Executive Director Craig Hirai

Excused: Director Leilani Pulmano, Chair
Director Melvin Kahele
Director Wesley Machida
Director Luis Salaveria

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
Lawrence Pulido, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Lorna Kometani, Housing Sales Coordinator
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Randall Bishop, Cloudbreak Hawaii
Claudia Shay, Self-Help Housing Corporation of Hawaii

A quorum was present.

Director Fukumoto moved, seconded by Designee Evans

That the minutes of the Regular Meeting held on May 14, 2015 be approved as circulated.

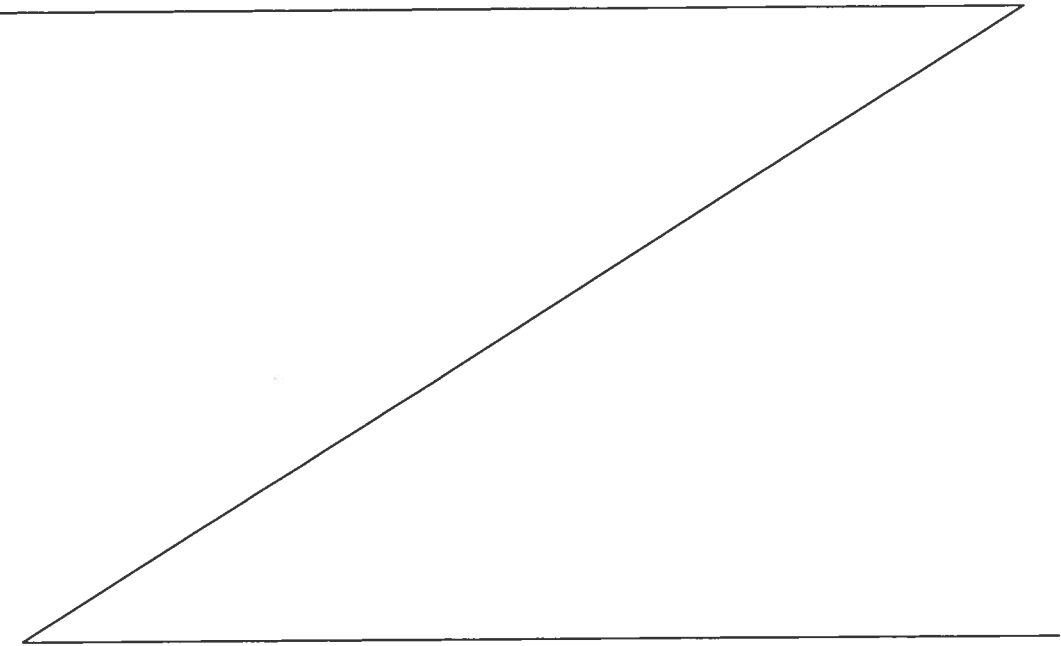
The motion was unanimously approved.

Acting Chair Taira deferred action on the minutes of Executive Sessions held on May 14, 2015, February 12, 2015, and January 8, 2015 to be discussed in executive session.

QUORUM

**II. A.
APPROVAL
OF MINUTES
5/14/15
Regular
Meeting**

**II. B.
APPROVAL
OF MINUTES
5/14/15
Executive
Session**



Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve the following:

- A. Extend the LOI dated December 13, 2011, for the RHTF Loan for the Hale Uhiwai Nalu Addition project to December 30, 2015, subject to the requirements as set forth in the For Action dated December 8, 2011; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Director Fukumoto moved, seconded by Designee Evans

That staff's recommendation be approved.

Finance Manager Darren Ueki presented the For Action stating that the Hale Uhiwai Nalu (Project) requested an extension to the Rental Housing Trust Fund (RHTF) Letter of Intent (LOI) to allow time to finalize loan documents for all financing sources for the proposed construction of 50 additional affordable units targeted for families.

Construction is set to start in July 2015, with project completion anticipated in July 2016.

Based on the following progress made in the areas of site control, zoning approvals, and financing commitments, staff is recommending approval of the Project's request:

- The Project has site control.
- The Finding of No Significant Impact was published in July 2013. The Hawaii Community Development Authority approved the Conditional Use Permit in November 2013 and the Development Permit in December 2013.
- The Project continues to work with First Hawaiian Bank for the closing of the first mortgage construction/permanent loan. The Project was awarded a \$450,000 grant from the Federal Home Loan Bank of Seattle. The grant will cover the increase of costs that the project has experienced or lower other sources. An updated project budget is in progress.

Mr. Ueki opened for questions, along with Mr. Randy Bishop, on behalf of the Project.

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

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

III. A.
DISCUSSION
AND/OR
DECISION
MAKING
Approve an Extension to the Rental Housing Trust Fund Letter of Intent for the Hale Uhiwai Nalu Addition Project Located in Kapolei, Oahu, TMK No.: (1) 9-1-013:054

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In response to Designee Evans, Mr. Ueki and Mr. Bishop noted the following:

- Mr. Ueki stated that the affordability restrictions on the proposed addition range from 80% of the Area Median Income (AMI) to 30% AMI, being a requirement of the Rental Housing Trust Fund (RHTF).
- Mr. Bishop stated that all the units do qualify under the HUD-VASH program and that the focus is to have as many 30% AMI and below Vets with HUD-VASH vouchers. Currently, there are 20 HUD-VASH project-based units in the existing project, with additional vouchers anticipated to be acquired.
- Mr. Bishop stated that the Project has a support service agreement with the U.S. Vets to provide social and mental case management support for all qualifying veterans within the Project.

The motion was unanimously approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve an eighteen (18) month extension of the maturity date of SHHCH's DURF 2 loan to February 26, 2016, with the option to extend the maturity date for an additional six (6) months at HHFDC's sole discretion, and an increase of its loan amount by \$202, 420, for a total loan balance of \$2,605,124 to continue financing the Ma'ili III Self-Help Housing project, located in Ma'ili, Waianae, Oahu, substantially as described in this For Action;

Subject to the following:

- A. Approval and release of funds by the Governor;
- B. Approval and execution of amendments to the DURF 2 Interim Loan Agreement and Promissory Note by the Executive Director; and
- C. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Director Fukumoto moved, seconded by Designee Evans

That staff's recommendation be approved.

Development Branch Chief Rick Prahler stated that this For Action pertains to an 18-month loan extension (February 2016), with an optional 6-month extension for the Ma'ili III Self-Help Housing (Project) in Ma'ili, Oahu. There are no subsidies involved in the Self-Help Housing projects, with its buyers paying for the land, materials, and personal labor to construct homes. All loans are used to put the deal together and are then repaid upon completion. The Dwelling Unit Revolving Fund (DURF) I Loan has been paid back in full, with the DURF II Loan having a remaining balance of \$2,402,704 million as of May 31, 2015. Remaining 20 lots are expected to close within the next 6 months. Delays are primarily due to the USDA loan processing.

The uncommitted DURF balance as of May 31, 2015 is approximately \$87,035,489, which includes the cash reserve of \$10 million to manage risk exposure and ensure an adequate amount of funds for loan commitments.

The optional 6-month extension would be available at the HHFDC's discretion, in which the loan balance would increase by \$202,420 in order to cover the deferred interest and extension fees, bringing the DURF II Loan balance to \$2,605,124.

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve an Extension to the Dwelling Unit Revolving Fund Interim Loan and Increase in Loan Amount for the Ma'ili Self-Help Housing Project Located in Ma'ili, Waianae, Oahu, TMK Nos.: (1) 8-7-002:001, 007, 015, and 016

Mr. Prahler opened for questions, along with Ms. Claudia Shay on behalf of the Project.

Designee Evans complemented staff on their work with a very complicated project that will tremendously benefit the community.

Director Abe asked about the delay in the USDA loan processing. Ms. Claudia explained that the delays are due to a shortage in USDA staff rather than qualification issues.

Acting Chair Taira inquired on the estimated labor savings cost. Ms. Shay stated that the estimated value contributed by families are more than \$100,000 (approximate 50% cost savings). The cost of the house and lot is approximately \$290,000, with a \$415,000 appraised value. Electrical, plumbing, and excavation masonry are done by licensed trades.

The motion was unanimously approved.

Staff's recommendation was presented as follows:

That the HHFDC Board of Directors approve a twenty four (24) month extension of the maturity date of SHHCH's DURF loan to October 25, 2017, with the option to extend the maturity date for an additional six (6) months at HHFDC's sole discretion, and an increase of its loan amount by \$351,800, for a total loan amount of \$3,451,800 to continue financing the Pokai Bay Self-Help Housing project, located at Lualualei, Waianae, Oahu, substantially as described in this For Action;

Subject to the following:

- A. Approval and release of funds by the Governor;
- B. Approval and execution of amendments to the DURF Interim Loan Agreement and Promissory Note by the Executive Director; and
- C. Compliance with all rules, regulations, and such other terms and conditions as may be required by the Executive Director.

Director Fukumoto moved, seconded by Designee Evans

That staff's recommendation be approved.

Mr. Prahler stated that the Pokai Bay (Project) is an improved ocean view subdivision, which HHFDC help purchase for \$6.4 million with a \$3.1 million DURF loan approved in March 2013. Final road certifications from the Department of Planning and Permitting have been received with City and County dedication of roadway improvements pending. Dealings with various lenders have resulted in changes to its income limits. The Project budget adequately covers the increased loan amount of \$351,800 for the additional 24 months interest and 6-month extension option being requested.

The uncommitted DURF balance as is approximately \$87,035,489, which includes the cash reserve of \$10 million to manage risk exposure and ensure an adequate amount of funds for loan commitments.

Mr. Prahler opened for questions, along with Ms. Shay, on behalf of the Project.

Director Fukumoto asked what happens if the Project does not use the optional 6-month extension. Mr. Prahler explained that the loan amount will be lower, as interest would be paid only on the amount outstanding.

Director Abe inquired on the average 3.5 loans per month and various lenders.

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

Approve an Extension to the Dwelling Unit Revolving Fund Interim Loan and Increase in Loan Amount for the Pokai Bay Self-Help Housing Project Located at Lualualei, Waianae, Oahu, TMK Nos.: (1) 8-6-027:001 - 004, 049-054, 064 -123, and 126

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Ms. Shay stated that lenders for this Project include USDA-RD, First Hawaiian Bank, Territorial, and Central Pacific Bank. Ms. Shay clarified that the low average of loans per month are not due to a lack of qualifying buyers (approximately 3,000 families on waiting list), but rather a marketing tactic to allow the closing of the Ma'ili project.

With no further discussion, the motion was unanimously approved.

Acting Chair Taira ask for a motion to go into Executive Session.

Designee Evans moved, seconded by Director Fukumoto

To convene in Executive Session, pursuant to Section 92-5(A)(2), Hawaii Revised Statutes, as it relates to the evaluation of the executive director, where consideration of matters affecting privacy will be involved.

The motion was unanimously approved.

The Board convened in Executive Session at 9:35 a.m.

Acting Chair Taira called the meeting back to order at 10:23 a.m., stating for the record that the minutes of Executive Sessions held on May 14, 2015, February 12, 2015, and January 8, 2015, were approved.

Acting Chair Taira asked for a motion regarding the salary of the Executive Director.

Designee Evans moved, seconded by Director Fukumoto

That the HHFDC Board of Directors approve a pay adjustment for Executive Director Craig Hirai, up to the maximum allowed by statute, which is 85% of the DHRD Director's salary, changing the Executive Director pay to \$118,092.00, effective July 1, 2015.

Designee Evans stated that this is an extremely well earned increase and does not reflect, in her view, the excellent performance that Executive Director Craig Hirai has given the Board over the last year, being the limit in which the Board can approve a pay adjustment.

The motion was unanimously approved.

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

Executive Director Craig Hirai opened for questions, stating that at the next Board meeting staff will report on the bills enacted into law.

Attorney General Ching asked on the passing of the General Excise Tax Bill. Executive Director stated that the Bill had been enacted, effective July 1, 2015.

~~Designee Evans~~ Vice Chair Taira moved, seconded by Director Fukumoto

That the meeting be adjourned at 11:55 a.m.

The motion was unanimously approved.


RONA FUKUMOTO
Secretary

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

Authorization to Increase the Salary of the Executive Director Pursuant to Chapter 201H, Hawaii Revised Statutes

**EXECUTIVE
SESSION**
9:35 a.m.

RECONVENED
10:23 a.m.

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

**V.
ADJOURNMENT**
11:55 a.m.

**Corrected
7/9/15**